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27 MAY 1987

# **Southeast Asia Report**

**SPECIAL NOTICE INSIDE**

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### SPECIAL NOTICE

Effective 1 June 1987 JPRS reports will have a new cover design and color, and some reports will have a different title and format. Some of the color changes may be implemented earlier if existing supplies of stock are depleted.

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AFRICA (SUB-SAHARA).....	tan
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The changes that are of interest to readers of this report are as follows:

The SOUTHEAST ASIA REPORT (SEA) will be titled EAST ASIA/SOUTHEAST ASIA (SEA).

The JAPAN REPORT (JAR) will be titled EAST ASIA/JAPAN (JAR).

The KOREAN AFFAIRS REPORT (KAR) will be titled EAST ASIA/KOREA (KAR).

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DEFENSE MINISTER CHARGES GENERAL DYNAMICS WITH DEFAULT

Sydney THE SYDNEY MORNING HERALD in English 6 Apr 87 p 5

[Text]

CANBERRA: The Minister for Defence, Mr Beazley, accused the giant American company, General Dynamics, yesterday of consistently refusing to honour defence offsets obligations in Australia.

Mr Beazley made his attack while claiming success of the Government's new policy which had lifted Australian industry involvement in defence capital equipment contracts.

"Since the new policy was introduced in January last year, capital equipment contracts worth \$746 million have been placed by Defence, including contracts worth \$419 million with overseas suppliers," Mr Beazley said.

The total Australian industry involvement in the contracts was worth \$346 million or an average of 46 per cent of the contract price.

"This figure included Defence offsets contract obligations of \$161 million or 29 per cent of the imported content."

Mr Beazley said the figure would

have been exceeded had General Dynamics accepted an obligation arising from the recent purchase of additional Standard surface-to-air missiles.

"General Dynamics, currently the sole supplier of certain Standard missile systems to the Defence Force, has consistently refused to honour offsets obligations in Australia against Foreign Military Sales purchases."

Mr Beazley said recent actions by the US Department of Defense to open up its equipment purchases to greater competition, would help Australia avoid similar situations in the future, particularly in the purchase of missile systems and replacement missiles.

Major equipment purchases planned in the next few years, including the new replacement submarines and light patrol frigates for the RAN, are likely to see even greater involvement for Australia's defence industry, Mr Beazley said.

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CSO: 4200/551

# CHANGING JAPANESE INVESTMENTS PROFILED

Broadway TIMES ON SUNDAY in English 22 Mar 87 p 4

[Article by Matthew Stevens]

[Text]

*If money were the only consideration in human life, we would be able to buy everything in the world. — A Japanese banker musing about the power of the Japanese financial institutions.*

JAPAN is now the single biggest international investor in Australia, having early in the 1980s ousted the United Kingdom and the United States.

And Japan's impact on our economy will only grow over the next decade as Australian businessmen and politicians, like their counterparts in the major economies of Europe, North America and Asia, continue their regular cap-in-hand missions to Tokyo, the home of the world's most powerful financial institutions.

According to the Australia-Japan Economic Institute, there has been a significant change in Japanese investment in Australia over the past three years even though overall investment figures have not really changed.

The AJEI says the bulk of Japanese capital flowing into Australia is going into the financial-

services sector and the construction, resort-development and tourism industries. In the past the bulk of the money was directed into mining developments.

An AJEI survey of Japanese business activity in Australia shows there has been a 40-per cent growth in direct investment in Australian companies since 1983. There are now 294 Australian companies which are more than 25 per cent owned by Japanese investment houses.

At the same time the Japanese financial-services community has built a major platform in Australia. There are now three Japanese banks with Australian trading licences, 23 representative offices of Japanese banks, 20 Japanese merchant banks and seven Japanese securities houses here.

Overall, the figures on Japanese investment are already impressive enough. Japanese investment peaked in 1982/83 when \$3,239 million flowed in Australia. Since then investment has been fairly steady at slightly more than \$1,500 million annually with the only aberration being in 1984/85 when, with the Japanese taking an equity share of the \$1,000-million North-West-Shelf project, investment rose to \$3,153 million.

In the first half of the 1986/87 financial year, Japan invested slightly more than \$1,000 million in Australia — more than double the investment in Australia by any other country and representing about 8 per cent of the total international capital inflow.

According to David Jacobs of the AJEI the type of Japanese companies investing here is changing.

"Instead of the Japanese exporting cars or manufactured goods, what we are going to see now is the Japanese corporate sector exporting dollars," he said.

To attract more Japanese capital, the Australian Government has pushed the view that the devaluation of the Australian dollar and the continued strengthening of the Japanese yen should make Australia a prime target for the Japanese.

But according to property agents Baillieu Knight Frank, we cannot rely on the currency differential alone. Australia has to prove its returns can match other major markets. It says Australian property is marginally more attractive to the Japanese than similar-sized investments in either the US or the UK.

# WEEKLY REPORTS POTENTIAL IMF REMEDIES

Broadway TIMES ON SUNDAY in English 15 Mar 87 p 16

[Article by James Srodes]

[Text] **T**HE International Monetary Fund is akin to the neighbourhood building and loan society where the friendly manager lends you back your own money when you are caught a bit short.

But the fund is for nations — roughly 150 nations which comprise the free world and such Iron Curtain economies as Yugoslavia and Poland.

At its simplest, whenever a member nation gets its trade or balance of payments accounts into the loss columns, the IMF will lend it money at fairly concessionary interest rates. At least that's at the early stages when the borrowing government is still taking out cash up to about half the money it put into the fund when it joined.

The deeper into hock a country gets, the more involved the IMF becomes in the economic and political affairs of the nation. So the fund is like the neighbourhood banker, except that the branch manager moves into the house and begins to run things.

This manager often takes away popular subsidies for health care, food staples and pensions.

It's all in the name of economic reform, and as soon as a nation has paid all the money back the fund goes away.

But in the meantime, the fund can be more than an irritant.

President Jose Sarney of Brazil won't let the IMF prescribe any of its remedies and thus cannot

borrow any money from the fund even though his country owes foreign debts of \$108 billion.

The arrival of IMF economic reform teams touched off bloody riots in Turkey and Egypt in the 1970s.

Back in the days of Idi Amin's Uganda there were joking hints that the team might be welcome for dinner — as dinner.

Having IMF economists peering at the books and chatting to local business leaders is akin to having the district nurse pop in to check the kids for head lice or to see if the old man is still drinking. It might be necessary but what will the neighbours think?

But now Australia, which in Paul Keating has the World's Greatest Treasurer, has joined that select group of nations which owe foreign creditors more than \$100 billion. Exports are down and the trade and budget deficits are an embarrassment.

So it should surprise no-one to learn that in December an IMF delegation headed by Helen Junz, a former Carter era US Treasury economist, spent three weeks touring Melbourne and Sydney and points east.

Junz is not one to lark about with. Old hands around the US Treasury remember her as the civil servant who forced Jimmy Carter to do his foreign borrowings in embarrassing currencies such as Deutschmarks and Swiss francs the last time the dollar fell

out of bed in 1979.

What does Helen Junz and the IMF have in store for Australia, should the old central bank have to pop around to the cashier's window someday?

Junz declined to tell us but did say her team's report on the Australian economy would be presented to the full IMF board of executive directors at the end of the month, "where it will be discussed fully".

But a colleague of hers who has seen early drafts of the report said there was nothing to worry about - yet.

"Well, for one thing, Australia is hardly a Third World country," our IMF source said. "It is the seventh-largest capital market in the world and its credit rating is still sound."

"It would take a considerable catastrophe, one that would block Australia's access to issuing its own debt on Wall Street or in London, to force any government to approach the fund for help. And even then Australia is entitled to draw against its quota of contributions - about \$1.9 billion - before the fund could impose too stringent a set of conditions."

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CSO: 4200/551

**RIISING SUGAR PRICES EXPECTED TO BOOST EXPORTS 'SIGNIFICANTLY'**

Sydney THE AUSTRALIAN in English 5 Mar 87 p 13

[Article by Adam Shand and David Tomlinson]

[Text] **AFTER** years of depressed market conditions, world sugar prices are on the mend and are expected to boost Australia's exports significantly.

In an interim report to shareholders, Bundaberg Sugar Co yesterday painted a surprisingly optimistic outlook for sugar in the immediate future and the medium term.

Company chairman Mr Roy Deicke forecast that Bundaberg would lift profit by 20 per cent from \$5.4 million to \$6.5 million for the year to April 30 with much of this due to higher sugar prices.

This follows the buoyant half year result recently posted by Pioneer Sugar Mills.

Mr Deicke said sugar prices were entering a recovery phase that would last for some time and that world sugar stocks, which have overhung the market for years, have declined.

This is because of rising world consumption and a decline in production due to climatic and economic circumstances, he said.

There were, however, increasing doubts about the disclosed level of stocks and the real position was probably much closer to what producers would regard as ideal.

"The improved tone of the world sugar market is the foundation for some optimism with regard to returns for Australia's exports in the medium term," he said.

In the five months to November, sugar exports were worth \$309 million, or 2 per cent of the total.

He said the steady increase in world consumption was gradually utilising excess capacity in the sugar industry and that future expansion would have to be by additional capital investment involving both risks and delays.

"Hence a view is evolving that the next price peak, though perhaps somewhat flatter than in the past will remain in effect for a longer period."

With sugar representing an important export for Australia, higher prices for sugar provide one of the few bright spots on an otherwise bleak economic landscape where other commodity prices continue to decline.

Mr Deicke said last night that increased demand for sugar overseas had boosted international sugar prices from a low of US2.6c a pound (A3.9c per 454 grams) in 1985 to about US7.75c a pound in February, where it has remained since.

The Soviet Union has increased its sugar imports to 5 million tons as a result of a campaign by the Soviet leader, Mr Gorbachev, to replace vodka with soft drink as the Soviet Union's national drink.

Australia has just finalised the sale of 180,000 tonnes of sugar to the Soviet Union.

Consumption and imports of sugar are also rising in Brazil, where sugar is being used to

produce a motor spirit called gasahol.

Total worldwide consumption in 1987 is expected to exceed 110 million tonnes.

Analysts said supplies had been overbought when the price was low.

However, below average rainfall in the peak growing time during January last year, reduced farm inputs, changes in farming practices and alternate cropping had all contributed to a production downturn.

Bundaberg directors have declared a steady interim dividend of 3c a share and will announce a final dividend in September.

Mr Deicke said the result would be achieved despite an 11.4 per cent fall in sugar production in the Bundaberg district.

A 17 per cent rise in the No.1 sugar price to be declared by the Sugar Board during the last week of June would offset the adverse effects of a smaller cane crop and depressed returns from underground coal operations, Mr Deicke said.

The company's cane plantations harvested 383,550 tonnes in the 1986 compared with 394,000 tonnes in 1985.

Though rain in the crushing months ensured a good foundation for the 1987 crop it constrained last year's crop from reaching optimum maturity.

The coal mining and trading outlook remained volatile and the profit forecast assumed no worsening of conditions.

# ACTU AGREES TO CONTROVERSIAL NEW WAGE SYSTEM

Sydney THE SYDNEY MORNING HERALD in English 3 Apr 87 p 5

[Article by Matthew Moore, Industrial Editor]

[Text]

MELBOURNE: Last month's \$10 wage rise will begin flowing to more than seven million wage and salary earners next week following the ACTU's formal acceptance yesterday of the new national wage system.

Delegates from more than 100 unions attended the ACTU's special conference and voted almost unanimously to accept the new two-tier wage decision, despite the cuts to living standards it will bring many workers.

After rumblings of discontent from many unions over the past months, almost all of them accepted the arguments of the ACTU secretary, Mr Bill Kelty, and agreed there was no practical alternative to the new system, which requires workers to negotiate wage rises with employers if they are to get the maximum benefit from it.

In a stern speech, Mr Kelty told delegates the alternative to accepting the new system would be to fight for wage rises in the field.

He said the system offered most workers, including fitters, truck drivers, shop assistants and storemen, the chance to win a package of rises, including superannuation, which would total between 11 and 13 per cent.

"If anyone can honestly say that those workers would be better off

without the system, then they are simply deluding themselves."

Mr Kelty said he could understand that coal miners were reluctant to vote for the new system because a flat \$10 increase and a possible 4 per cent in the second tier would see their wages fall heavily in real terms.

A coal miner on \$800 a week could expect an increase of perhaps 6 per cent at the most under the system. But Mr Kelty said his heart was "not bleeding" for such workers, whose financial benefit from the July tax cuts would be equivalent to a \$54.50 wage increase.

The conference adopted a comprehensive resolution stipulating that the two-tier system had to be seen as part of a much broader incomes policy if it was to survive.

The resolution states that unless the Government meets union expectations on industry policy, price restraint, a reduction in the level of inflation, improvements in family allowances and the social wage, and further reform to the taxation system, the system will not work.

It cautions employers, government and the Arbitration Commission to "co-operate in the implementation of the 4 per cent second-tier increase, superannuation and the universal application of the 38-hour week" or risk the end of centralised wage fixing.

The resolution also warns the Government that the system will be jeopardised if it does not honour its undertaking, given privately a week ago, to support a 1.5 per cent across-the-board increase from October 1.

The conference voted for the October increase to be paid as a flat amount, which Mr Kelty said would be \$6 to \$7 a week.

A trade union review of the system has been scheduled for the September congress, but that will be brought forward if the system appears to be floundering.

Unions will now start giving individual commitments to the Arbitration Commission to abide by the new wage rules, so that their members can receive the \$10. The increase will be backdated to March 10.

Although fewer than a dozen small unions voted to reject the system, many others, particularly in the building and Public Service sectors, will delay giving a commitment for several weeks so as to have more freedom to negotiate agreements for second-tier rises.

The coal miners abstained yesterday, rather than vote for the system under which they anticipate a massive restructuring of the industry and the loss of jobs.

The conference also voted to spend \$1.2 million on a publicity campaign to improve the public image of trade unions.

TRADE UNIONS UNITY ON WAGES ANALYZED

Sydney THE SYDNEY MORNING HERALD in English 3 Apr 87 p 5

[News Analysis by Matthew Moore: "Perils of Leaving the Kelty Path"]

[Text]

MELBOURNE: The leadership of the ACTU has done it again. It has convinced powerful unions with a long history of militancy that they should sacrifice their members' wages for the good of the whole.

Waterfront workers, transport workers, oil workers and storemen and packers all backed this untried wage system yesterday, leaving smaller and less powerful unions little choice but to fall into line or step into the frontline of a fight they know they cannot win.

The big unions, on both the Left and the Right, could probably have got more money in the field, but they are now very much part of the responsible unionism ethos which Mr Kelty and Mr Cream have fostered so successfully.

Publicly, the union movement appeared remarkably united yesterday, with no raised voices and no vitriol in the brief arguments before the vote to endorse the new wage system.

But privately, when a group of unions was debating the system, the hard side of the responsible union-

ism ethos became apparent.

The hard side is that any union which decides to go outside the system can expect no assistance from the ACTU whatsoever.

The plumbers' union has been outside for eight months now and is a good example of what can happen to a strong union. It is on the ropes and a Federal Court decision today may knock it to the mat.

Behind closed doors, Mr Kelty put it bluntly to the left-wing furnishing trades and theatrical unions, accusing them of misunderstanding their members by voting against the system and seeking to do the impossible by winning wage rises outside it.

Mr Kelty's argument is simple. In these tough economic times a union simply cannot afford to try to break away on its own and discredit the union movement as a whole and the Labor Government.

If unions don't like the new wage system, they have a choice. Accept it anyway or follow the precarious path of the plumbers and see just how long they can stay on it.

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CSO: 4200/551

## WEEKLY REPORTS ELECTRONIC INTELLIGENCE DEVELOPMENTS

Sydney THE BULLETIN in English 31 Mar 87 p 38

[Article by John Stackhouse]

[Text] AUSTRALIA'S new intelligence base in Western Australia, foreshadowed in last week's defence white paper. Will be as big as Pine Gap and will entrench the country into the satellite age of electronic spying. Unlike Pine Gap, the West Australian one will be totally Australian run. The purpose of the facility will be to intercept transmissions from satellites over the Indian Ocean.

Long before last week's white paper, the pointers to improving Australia's intelligence-gathering ability had been evident in the defence community. The Defence Signals Directorate's earlier antennas for intercepting and locating normal high-frequency transmissions have been improved at major stations in Western Australia, near Darwin and near Toowoomba in Queensland. There had also been some acquisitions of satellite-monitoring equipment. One of these installations is positioned so that it could read Indonesia's national Palapa satellites, which carry most of the republic's television and communications, as Aussat does for Australia.

The new WA facility does not mean that Australia is going it alone at the expense of its ties with the US and with Britain. Australian access to the Pine Gap data has been improved and new material acquired by the West Australian facility will be shared as required. But the move into the latest technology in the murky world of electronic intelligence symbolises the main thrust of Defence Minister Kim Beazley's white paper. Australia has to be self-reliant. It has to maintain a high level of intelligence gathering to provide warning of

any emerging threats. And because of the distances Australia has to oversee and its relatively small population, it has to rely on state-of-the-art equipment.

As expected, the white paper picked up the main thrust of Paul Dibb's report last year although a change in emphasis sugar-coated some of the aspects of Dibb which the Americans, conservative commentators and some of the military found uncomfortable. The critics chose to tag a "fortress Australia" label on Dibb and accuse his report of an isolationist bias designed to mollify the left wing of the Labor Party. But this time round, Beazley has gone out of his way to underline the danger of the Soviet build-up at Cam Ranh Bay, to express positively Australia's interest in countering outside influences in the Pacific and to emphasise the reach of Australian strike forces such as the F111s, the tanker-augmented F18s and the submarines.

The new defence plan defines Australia's zone of interest as extending 7000km from the Cocos Islands to New Zealand and into the Pacific, covering about a tenth of the earth's surface.

Beazley estimated the new equipment bill over the next 10-15 years at about \$25 billion. There is an attempt in the white paper to show how the money will be found: new programs are brought in as older ones are wound down. But what is lacking are firm numbers. Beazley is fighting to keep the defence vote intact in the present cost-slashing atmosphere in Canberra and

he might well have to take some hacking this year. He proffered one sacrifice: the government-owned defence factories including Melbourne's Williamstown dockyards. He indicated he is prepared to juggle from year to year to buy what he needs. The total amount available will be about \$40 billion (in 1987 dollars). The equipment proportion of the defence budget is enough for changes from year to year to ensure that the armory winds up being fully stocked by 2000. And there is a big political bait to maintain the spending. Beazley told Australian industry the government is going out of its way to make sure Australian suppliers have adequate opportunity to bid in this bonanza. □

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CSO: 4200/551

# AUSTRALIAN ENVOY ON MILITARY AID, FRIENDLY RELATIONS

Jakarta ANTARA NEWS BULLETIN in English 27 Apr 87 p A1

[Text] Ambon, April 27 (ANTARA)--The Australian Government is prepared to give technical assistance and to supply military equipment to the Indonesian Armed Forces (ABRI) if requested, Australian Ambassador to Indonesia Bill Morrison has stated.

Speaking before newsmen here Sunday night, the ambassador said further that ABRI had been growing stronger and capable of defending the Indonesian territory against dangers from internal and external sides.

Morrison disclosed that several years ago the Australian Government gave assistance to ABRI by providing patrol boats for the Indonesian Navy and patrol Nomad aircraft for the Indonesian Air Force.

The purpose of extending the assistance is to strengthen the defence system of ABRI because the Australian Government expects the further development of the Indonesian defence system, he explained, adding that the strengthening of ABRI would secure Australia from communist infiltration from the north.

The Australian Government considers Indonesia as not only a friendly neighbour, but also as the only country that can hinder communist infiltration, according to the ambassador.

Therefore, the promotion of friendly relations with Indonesia is a matter of principle for the Australian Government, he added.

## No Danger

Morrison denied the assumption that Indonesia was a danger for Australia. The tension arising between the two countries in the past is due to the difference in culture.

Despite the existing tension in the past, the Australian Government never regards Indonesia as a danger.

Concerning his personal view on Australia-Indonesia relations, Morrison said as Australia's defence minister in 1975 and ambassador to Indonesia at present, he realized that keeping friendly relations with Indonesia were beneficial to Australia.

He disclosed that it was his duty to change the assumption of the Australian people on Indonesia and the surrounding areas.

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CSO: 4200/555

COUNTER-PURCHASE CONTRACTS WITH JAPAN

Jakarta BUSINESS NEWS in English 24 Apr 87 p 6

[Text]

Japan is the second biggest supplier for the Indonesian Government in the implementation of the counter purchase system. The counter purchase contracts Japan have made with the Indonesian Government have up to the present time involved 40 kinds of Indonesian commodities other than oil and natural gas.

With counter purchase obligations worth US\$ 351.08 million, Japan occupies the second position, next to West Germany, in trade with Indonesia under the counter purchase system. The share of Japan in counter purchase contracts Indonesia has signed with 149 suppliers in 24 countries is at present about 20.51%.

The realization of counter purchase contracts by 19 Japanese suppliers had reached US\$ 272.15 million till January 1987, about 19.27% of the realization of the counter purchase obligations by 149 companies in 24 countries or about 77.51% of the total value of Japan's counter purchase obligations.

Indonesian non-oil/gas commodities involved in the counter purchase contracts with Japan include : palm stearine, crude palm oil, coconut oil, plywood, sawn timber, veneer, pulp, aluminium bar, copper, iron ore, coal, nickel mate, quartz sand, scrap aluminium, railroad ties, Calcium,

ammonia, shrimp, jelly fish, scipjack,  
frog leg, textile/garments, batik, cacao  
bean, coffee, rubber, black pepper, rat  
tan, corn, pandan hat, glycerine, liquid  
sugar, ethyl alcohol, molasses, cod liver  
oil, fish egg, powdered bone, leather,  
cotton seed and cashewnut.

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CSO: 4200/555

FRG MP SUPPORTS TRANSMIGRATION PROGRAM

Jakarta ANTARA NEWS BULLETIN in English 28 Apr 87 pp A11, A12

[Text] Jakarta, April 28 (ANTARA)--Visiting West German Member of Parliament Bernd Neumann has seen the transmigration program launched by Indonesia as of great importance to cope with social problems, despite criticism launched by foreign circles.

Neumann who told a press conference here Tuesday at the end of a four-day visit to Indonesia at the head of a 30-member Bremen parliament delegation said: "The transmigration program is very important to cope with social issues, despite criticism launched by foreign circles on the program."

According to Neumann, who is chairman of the Christian Democratic Union in the federal state of Bremen and member of the West German Parliament, the criticism was unfounded and it was not based on existing facts.

The Bremen parliamentary delegation had previously held talks with Minister of Transmigration Martono in the transmigration program in Indonesia.

In this respect Neumann mentioned the Konrad Adenauer Foundation which has provided assistance to transmigration program in Indonesia.

The foundation has activities in five countries providing assistance in 175 projects.

In Indonesia the foundation has cooperation with the Ministry of Transmigration involving funds amounting to 1.8 million Deutsche Mark.

Neumann said that during his talks with Minister Martono, "We believe that Konrad Adenauer projects are very important here."

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CSO: 4200/555

## COAL EXPLORATION, EXPLOITATION IN KALIMANTAN

Jakarta BUSINESS NEWS in English 24 Apr 87 p 10

[Text]

Nine projects for the development of coal exploration/exploitation are now being handled in East and South Kalimantan provinces with the main purpose of meeting the domestic demand for coal by the end of 1990s. The progress made in running the nine projects till October last year is as follows :

- PT Arutin Indonesia. The company is currently carrying out a feasibility study and handling the drilling of 436 wells with total depth of 19,867.32 m. The company has asked for reserve of 130,000 ha of land to avoid overlapping.
- PT Utah Indonesia. The company is expanding the first exploration in an operational area covering 271,000 ha. To prepare the development phase and to prevent overlapping, it needs 82,000 ha of land in reserve.
- PT Kaltim Prima Coal. The company is handling the third exploration stage. In accordance with the result of evaluation, the setting up of the coal mine will cover 27,000 ha of land.
- PT Kodeco Jaya Agung. The company is conducting a feasibility study on 100,180 ha of land.
- PT Adaro Indonesia, PT Perak Coal, PT. Multi Harapan Utama and PT Tanito Harun are entering the second stage of exploration.
- PT Chung Hua Overseas Mining Development is carrying out general survey on 150,300 ha of operational area.

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CSO: 4200/555

**MICRONESIA BUYS IPTN AIRCRAFT**

Jakarta ANTARA NEWS BULLETIN in English 21 Apr 87 pp A3, 24

[Text] Jakarta, April 20 (ANTARA)--The Bandung-based National Aircraft Industry (IPTN) has sold another two NC 212 planes worth US\$7.188 million to the Federated States of Micronesia.

The contract was signed here Monday by Director of the Federated States of Micronesia (FSM) Airlines Corporation Pedro Harris and IPTN President Director B.J. Habibie.

According to Pedro Harris, Micronesia bought the two NC 212 planes for its domestic services.

To operate the two planes, FSM Airlines will cooperate with the Indonesian state-run Mertapati Nusantara Airlines (MNA) which is experienced in pioneer flights.

The cooperation between FSM and MNA is a technical in nature under which MNA will dispatch 17 officials, including flight operation officers (FOO) to the country, MNA President Director Suratman said.

Habibie said that the cooperation between FSM and MNA was the first of its kind held to increase the country's export of modern technological products.

Habibie who is also minister of research and technology described the purchase of the NC 212 planes as very proper for Micronesia as it is composed of lots islands.

Like in Indonesia, these planes are very suitable for inter insular/ domestic flights, either for passengers or for cargo, according to the minister.

With the sale of the two aircraft to Micronesia, IPTN has sold 10 NC 212s, namely three to Guam and five to Thailand.

Until now, there are 87 NC 212 aircraft already operating, including 21 owned by MNA, said S. Paramajudha, IPTN's Commercial Director.

The two NC 212 planes bought by Micronesia are expected to go into service in next July.

**MINISTER RULES OUT EXTERNAL DEBT RESCHEDULING**

Jakarta BUSINESS NEWS in English 29 Apr 87 p 4

[Text]

The Indonesian Government is still able to repay foreign debts at present & has not considered rescheduling debt services, Minister of National Development Planning/Chairman of Bappenas (National Development Planning Board), J.B. Sumarlin told newsmen after he met with President Soeharto at the Merdeka Palace here Wednesday.

The government is currently concentrating its attention on the effort to promote exports of commodities other than oil and natural gas, according to the minister. Foreign debts received by the new order government have been used to finance national development, he said.

Sumarlin emphasized the need to make non-oil/gas export drive a success. The government seeks foreign loans carefully, and accepts only foreign loans with interest rates of no more than 3.5% with a repayment period around 20 years.

Foreign loans are used only for projects that can guarantee the repayment of the debts, he said, adding that the debts, therefore, would not burden the future generations.

**US\$ 32 - 33 BILLION:** The total of debts the Indonesian Government has received from foreign sources at present amounts to about 32 - 33 billion US dollars, including US\$ 900 million from the Exim Bank of Japan signed here in February- 1987. The Bank has extended the loan at an interest rate of 5.5%.

The swelling of foreign debts is due to the change in the exchange rates of foreign currencies. The appreciation of yen, DM and other currencies is burdensome to Indonesia, the minister said.

He also pointed out that the fall in Indonesia's exports had resulted in the increase of the debt service ratio (SDR).

The SDR is about 33% in the government sector and higher in the private sector. According to Minister of Finance Radius Prawiro in the private sector it is almost 40%, he said.

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CSO: 4200/555

JUNIOR MINISTER CALLS FOR INCREASED RICE PRODUCTION

Jakarta ANTARA NEWS BULLETIN In English 28 Apr 87 pp A5, A6

[Text] Jakarta, April 28 (ANTARA)--Junior Minister for Food Production Promotion Wardovo here Monday called for efforts to boost rice production in this year's harvest seasons since the target of increasing rice production in the 1986/87 period may not be able to be reached due to prolonged rainy season.

He further said intensification program in the 1986/87 harvest season only covered 5.89 million hectares or 95.25 percent of the target.

Special Intesnification (Insus) in the period reached only 82.77 percent while the General Intesnification (Innum) showed a satisfying result by reaching the rate of 118 percent.

This means Insus implementation should further be stepped up to face the dry period in this year's harvest season which began in April, he said.

Although the available production figures at present are only provisional data, the failure to reach the Insus target in 1986/87 harvest season will affect the average production rate.

In case the Insus program in this year's harvest season cannot be increased the target of obtaining a 2.4 percent rice production hike is to face serious challenges, said the junior minister.

In attempts to maintain self-sufficiency in food, rice production is targeted at 27.348 million tons.

With regard to this the intensification program in the period is planned to cover 2,941,200 hectares comprising 2,585,900 hectares of special intensification (Insus) and 355,500 of general intensification (Innum).

Aside from that a super special intensification (Supra Insus) scheme was also launched in the Jatiluhur area, the northern coast of West Java, Central Java, East Java and South Sulawesi.

Speaking on weather forecast in the coming harvest season, Minister Wardoyo said the dry season is estimated to be even worse than those in the previous years.

In view of this, rice fields with good irrigation system must implement Insus, Insus Plus and Supra Insus while the government is to provide the necessary production facilities such as KCL fertilizers which was obtained from a Canadian grant.

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CSO: 4200/555

NU YOUTH LEADER ON PPP'S ELECTION SETBACK

Jakarta ANTARA NEWS BULLETIN In English 25 Apr 87 pp A3, A4

[Text] Jakarta, April 25 (ANTARA)--The big setback suffered by the United Development Party (PPP) in the 1987 General Elections held this month is in no way to be interpreted as a "defeat for Islam," an Islamic youth leader commented Friday.

The vote counting up to Friday had shown that the formerly Islam-based political party had experienced defeats not only in regions where in the 1982 General Elections it had been No 1 but also on the national level as a whole.

General Chairman of the ANSOR (Islamic) Youth Movement which is affiliated to the Nahdlatul Ulama (NU), Slamet Effendi Yusuf, told Indonesian Moslems that they should not feel discouraged by the setback.

The PPP's defeat is not the defeat of Moslems, he stressed.

He admitted that in the previous general elections in 1972, 1977 and 1982 it was true that the PPP had stood for the aspirations of Islam and was supported by almost all of the Islamic organizations in the country.

In the general polling held last April 23, however, the PPP no longer stood for Islam because by then it had changed to become a Pancasila-based political organization and the various Islamic organizations which had participated in its establishment and activities in the past had already disassociated themselves from it.

In the April 23 elections Moslems were given freedom to vote for anyone of the three contestants--the PPP, the Indonesian Democratic Party (PDI) or the Functional Group (Golkar) according to the dictates of their own respective conscience, the ANSOR leader said.

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CSO: 4200/555

## BRIEFS

UREA, AMMONIA PRODUCTION UP---Bontang/Samarinda, April 22 (ANTARA)--The urea fertilizer and ammonia production of PT Pupuk Kaltim (PKT) in Bontang, East Kalimantan in 1986 went up as compared to the previous year. Up to the end of December 1986 the province recorded a total production of ammonia reaching 658,909.511 metric tons, while urea topped 576,109.482 tons, indicating an increase of respectively 33 percent and 50 percent compared to the figures in 1985. Although the production rate had not reached the target set, the sales of ammonia was 30 percent over the target and the exports of ammonia surpassed the 1985 figure. PT PKT Managing Director Ir Kotan Pasaman told ANTARA Tuesday that the exports of those fertilizers had provided a total revenues amounting to more than US\$39 million. The domestic sales of urea totalled some 500,000 tons, indicating that the company was capable of meeting the demand of the domestic market. In 1985 the company sold as many as 264,224 tons of ammonia worth some Rp 47,932 million, in which 197,569 tons were sold to India, the Philippines, South Korea, Taiwan and Tanzania, while the remaining 66,555 tons were for domestic consumption. [Text] [Jakarta ANTARA NEWS BULLETIN In English 23 Apr 87 p A4] /9317

CHIEFS OF STAFF PROMOTED--Jakarta, April 29 (ANTARA)--Armed Forces Commander General L.B. Moerdani Tuesday received at the Armed Forces Headquarters the Chiefs of Staff of the Forces and the Chief of the Indonesian Police in connection with their promotion. The Armed Forces Information Center said that with the promotion Army Chief of Staff Lieutenant General Try Soetrisno became a full General; Navy Chief of Staff Vice Admiral R. Kasenda an Admiral and Air Force Chief of Staff Air Marshal Oetomo an Air Chief Marshall, while Police Chief Lieutenant General Moch Sanoesi became a full (police) General. [Text] [Jakarta ANTARA NEWS BULLETIN in English 29 Apr 87 p A3] /9317

PADANG CEMENT PLANT EXPANSION--Jakarta, April 30 (ANTARA)--President Soeharto is scheduled to commission the expansion of the Padang Cement Factory next June which will increase the factory's production capacity to 2.1 million tons per year, Minister of Industries Hartarto said here Thursday. Following a meeting with President Soeharto at the Bina Graha presidential office he told pressmen the Indarung III Project which will increase the production capacity with 600,000 tons per year, was constructed in cooperation with India. Investment for the project totalled Rp 119

billion, bigger than the previous estimation of Rp 100 billion, because the project was finished behind schedule. It was 14 to 16 months behind schedule, the minister said, adding that all problems resulting from the delay have been settled, including the claim to the Indian contractor. With the expansion, the factory will be able to absorb around 200 employees more, he added. [Text] [Jakarta ANTARA NEWS BULLETIN in English 30 Apr 87 p A9] /9317

TELEVISION STATION INAUGURATED--Information Minister Harmoko today [21 April] inaugurated a television transmission station in Lampung Selatan District. The television station has a capacity of 2.5 kilowatts. [Summary] [Jakarta Domestic Service in Indonesian 1200 GMT 21 Apr 87 BK] /12232

MINI TV STATION COMPLETED--The construction of a mini television broadcasting station to improve television reception in Magelang District in Central Java has been completed and is currently operational. This was disclosed by the district development board chief, Suhardi, who also said that technically the effective range of the antenna is up to 5 km and the 24 villages in the district will be able to receive television programs with good reception. [Text] [Jakarta Domestic Service in Indonesian 0600 GMT 22 Apr 87 BK] /12232

CSO: 4200/529

NETHERLANDS AID TO REACH \$25 MILLION BY 1990

HK300513 Hong Kong AFP in English 0501 GMT 30 Apr 87

[Text] Manila, April 30 (AFP)--The Netherlands aid program to the Philippines will be brought up "step by step" from the current six million to 25 million dollars by 1990, Minister for Development Cooperation Piet Bukman said here Thursday.

Mr Bukman, who led what he described as a fact-finding mission, told a news conference that Dutch experts will visit Manila in June to identify more precisely which projects will be backed financially by the grants.

The official, who met Thursday with President Corzaon Aquino, said his country wanted to assist mainly in three fields: Support for planned agrarian reform, population policy, and cooperation with non-governmental groups.

He stressed that the increase of his country's aid program to the Philippines was part of a general policy of helping the implementation of "democratization processes" throughout the world.

Mr Bukman also met Wednesday a number of cabinet members and church leaders as well as Horacio Morales, reputed to be the former chairman of the National Democratic Front (NDF), the political umbrella of the communist insurgency.

The NDF's international activities are based in the Netherlands.

Mr Bukman said he wanted to see Mr Morales, who is now running for the Philippine Senate, because of "the important role he has played in the implementation of cooperatives" and his knowledge in development programs.

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CSO: 4200/556

## PHILIPPINES

### ONGPIN VISITS OSAKA, ASKS MORE JAPANESE INVESTMENT

OW271311 Tokyo KYODO in English 0912 GMT 27 Apr 87

[Text] Osaka, April 27 KYODO--Jaime Ongpin, Philippine secretary of finance, Monday called for greater Japanese investment in the Philippines in light of the Aquino administration's new privatization and debt-to-equity conversion programs.

Speaking at an international symposium conducted by the Osaka Chamber of Commerce and Industry, Ongpin said the planned privatization of 125 public corporations and a debt capitalization program designed to convert the country's foreign debt into equity shares in Philippine enterprises is part of a "new exuberance and optimism" flourishing in the country's economy.

Since the inauguration of the Aquino administration in February 1986, Philippine trade and balance of payments deficits have both been slashed by two-thirds, said Ongpin.

He said the stabilization of the peso-dollar exchange rate and a dramatic drop in inflation from 23 percent in 1985 to less than one percent in 1986 contributed to the first positive growth in the Philippines economy in two and a half years.

In 1986, the Philippine economy recorded a 0.2 percent increase in gross national product (GNP) after consecutive declines of 5.7 percent and 4 percent in the previous two years.

A recent comprehensive tax reform and the removal of import restrictions on over 1,200 commodities have also added to the attractiveness of the Philippines economy, he said.

Ongpin also said the Philippine Government will issue novel financial instruments to be known as Philippine investment notes (PINS) which will enable part of the interest payments on the Philippines' commercial bank debt to be recycled back to the country in the form of equity. Issued to creditors of the Philippines' debt, PINS will be non-interest bearing instruments denominated in foreign currencies and convertible at any time to equity share in Philippine companies, he said. Ongpin said the Aquino administration has labored to revive an economy "ravaged and plundered" by years of "misallocation and corruption" under the government of Ferdinand Marcos.

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CSO: 4200/556

JAPAN CONSIDERING VISA BAN ON FILIPINAS

HK100723 Manila PHILIPPINE DAILY INQUIRER in English 10 May 87 pp 1, 8

[Article by Chay O. Florentino]

[Text] The Japanese Government is seriously considering a stop to the issuance of visas to young Filipinas for a limited period to check the proliferation of illegal entertainers in Japan, an embassy official said yesterday.

The Japanese official, who spoke on condition of anonymity, said refusing to grant visas is a "sovereign right" of any country.

He, however, said, Filipino officials were not receptive to the idea which, according to him, seems to be the "only " solution to the problem.

The exercise of this sovereign right may be viewed as an "undiplomatic" move, he said, especially if its implementation is not supported by the Philippine Government.

He added that the constitutional right of Filipinos to travel poses an obstacle to the quick solution of illegal recruitment and the exploitation of workers abroad.

For its part, the Philippine Government cannot restrict the issuance of passports to its own nationals because this violates the Bill of Rights.

The problem of Filipino workers in Japan has reached proportions, causing apprehension among Japanese and Filipino officials.

Papers prepared by the Asia and Pacific desk of the foreign office said that Filipino workers, who comprise 80 percent of illegal aliens in Japan, pose a "major irritant" to Philippine-Japan relations.

Despite the magnitude of the problem, there has been no direct and regular consultations between Philippine and Japanese officials.

A Philippine interagency meeting was called by Foreign Secretary Salvador H. Laurel last Friday to propose solutions to the problems encountered by Filipinos in Japan.

Among the proposals were the creation of an Anti-Illegal Recruitment Committee (AIRCOM) which shall aim to improve and simplify the system for processing of complaints on illegal recruitment.

The committee shall be composed of government agencies involved with contract workers. They are the foreign affairs and social services departments, the Philippine Overseas and Employment Administration, Commission on Immigration and Deportation, and the National Bureau of Investigation.

The group also proposed that confiscated passports be immediately referred to the DFA's [Department of Foreign Affairs] passport division for blacklisting.

The social services department was asked to work out a program for Filipino deportees, which will include training and provision of capital for new enterprises.

The Japanese official said authorities should go after the members of the Yakuza, the Japanese Mafia who may be involved in illegal recruitment.

He added that Philippine authorities can attempt to regulate the entry here of the Japanese Mafia members.

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CSO: 4200/556

AQUINO TO DECLARE 26 PROVINCES 'CALAMITY AREAS'

HK011439 Quezon City BUSINESS DAY in English 1 May 87 p 2

[Article by reporter Michael D. Marasigan]

[Text] President Corazon C. Aquino has agreed to repeal government order [GO] No 47 following failure to attain its target of providing employees of domestic corporations their rice and corn requirements, Agriculture Secretary Carlos Dominguez told BUSINESS DAY.

Dominguez also disclosed that the president will declare 26 drought stricken provinces all over the country as calamity areas. It is estimated that about P200 million worth of rice crops and another P129 million of corn have been damaged by the drought.

Two separate executive orders are being prepared for the abolition of GO 47 and the declaration of calamity areas, the agriculture official said.

GO47 was issued by deposed President Marcos on May 27, 1974 which ordered big corporations and partnerships with 500 employees or more to engage in corporate farming to help in attaining self-sufficiency in rice and corn.

Early last year, food manufacturing and processing companies called for the abolition of the corporate farming program claiming that the order has "only aggravated" the business community's economic problems.

In a position paper submitted last year, the Philippine Chamber of Food Manufacturers, Inc. said GO 47 has "lost its meaning and purpose."

They said companies forced to join the program only suffered losses running up to millions of pesos even as corporate firms shared only a measly 1 percent of the country's rice production.

Dominguez, on the other hand, said that despite 12 years of implementation, "program accomplishment has been below target, and the country has reached generally self-sufficient levels in rice and corn."

Instead of venturing into rice and corn, Dominguez said corporations will "be encouraged to engage in non-grain production ventures through various schemes formulated for the purpose."

Dominguez endorsed a draft executive order prepared by the National Food Authority based on its consultations with the representatives of corporations covered by the program.

The draft executive order cited that grains production for corporations has not been viable anymore since self-sufficiency has already been attained. The draft recommended that participants in the program be allowed to wind up their corporate farming activities within three years from the effectivity of the order.

Dominguez also told BUSINESS DAY that another executive order is being prepared to declare as calamity areas the following provinces: Pangasinan, Cagayan, Isabela, Nueva Viscaya, Bulacan, Nueva Ecija, Pampanga, Zambales, Quezon, Albay, Sorsogon, Camarines Norte, Camarines Sur, Catanduanes, Negros Occ. Antique, Negros Oriental, Northern Samar, Western Samar, Zamboanga de Sur, Bukidnon, Misamis Oriental, Davao del Norte, South Cotabato, Lanao del Sur and North Cotabato.

The declaration of these provinces as calamity areas will facilitate rehabilitation of rice and corn lands, Dominguez said. According to reports furnished by field technicians of the Department of Agriculture [DA] and the Inter-agency Policy Advisory Committee on Cereals, the affected areas cover 64,800 hectares of rice and 49,000 hectares of corn lands.

Dominguez said 74,000 metric tons of rice worth P200 million and 43,700 metric tons of corn worth P129 million have been damaged since the drought started last December.

The agriculture secretary sought the president's permission to release P9.8 million of the calamity funds to the DA for the procurement of rice, corn and vegetable seeds which will be made available to the affected farmers at 50 percent of the purchase price.

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CSO: 4200/556

AQUINO CREATES NEW COMMISSION ON HUMAN RIGHTS

HK081119 Manila THE PHILIPPINE STAR in English 7 May 87 p 3

[Text] President Aquino formed the Commission on Human Rights [CHR] yesterday in compliance with the new Constitution.

The new body replaces the Presidential Commission on Human Rights [PCHR] which the President abolished.

In Executive Order No 163, Mrs. Aquino noted the urgent need to constitute the commission to give meaning to a declaration in the charter that the "state values the dignity of every human person and guarantees full respect for human rights."

The human rights commission is to be composed of a chairman and four members who must be natural-born Filipinos. They must be at least 35 at the time of their appointment and must not have been candidates for any elective position in the election immediately preceding their appointment. Majority of the members shall be lawyers.

The commission is empowered to investigate on its own or upon complaint by any party, all forms of violations of civil and political rights of any Filipino citizen.

It may provide appropriate legal measures to protect the human rights of all persons within the Philippines, as well as Filipinos residing abroad.

It has visitorial powers over jails and other detention facilities.

The commission members are to be appointed by the President for a term of seven years without reappointment. They have the same salary levels as members of other constitutional commissions. They cannot hold any other office during their tenure.

The president transferred all funds, property and other facilities of the defunct Presidential Commission on Human Rights to the new body. The CHR may retain such PCHR personnel as may be necessary in performing its functions. Those who may not be retained are entitled to separation benefits.

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CSO: 4200/556

AQUINO ABOLISHES DEATH PENALTY FOR SUBVERSION

HK090807 Manila MANILA BULLETIN in English 9 May 87 pp 1, 18

[Article by Ding Marcelo]

[Text] President Aquino abolished yesterday the death penalty imposed on persons convicted of national security offenses such as subversion and rebellion by repealing two Marcos-issued decrees which her administration had earlier described as "oppressive."

In place of the two decrees, the President revived Republic Act 1700, the original antismersion law, that declares membership in the Communist Party of the Philippines (CPP) and its instrumentalities as illegal.

Repealed were PD 1835 and the subsequent decree that amended it, PD 1975. These decrees, Mrs. Aquino said, "unduly restricts the constitutional right to form associations."

The President, in Executive Order 167, said she had to revive RA 1700 because the repeal of the two decrees would have legalized the Communist Party of the Philippines.

She said that the Supreme Court, in *People vs. Ferrer* (8 SCRA 382), has found the CPP to be an illegal organization working for the overthrow of the Philippine Government through armed struggle and establish a communist form of government.

She said the repeal of the decrees would have left membership in organizations such as the CPP no longer punishable, thus posing a grave danger to the stability of the government.

The repeal of the decrees, which codified a long list of antismersion pronouncements by former President Ferdinand Marcos, however, greatly lessened a host of punishments and penalties for a long list of offenses deemed by the former regime as subversive.

Under the decree, the following were considered as prima facie evidence of membership in subversive organizations:

1. Giving financial contributions to associations perceived to be subversive.
2. Acting as agent, courier, messenger, or correspondent in behalf of such associations.
3. Conferring with officers or members of such associations.
4. Preparing documents, leaflets, or other types of publications to promote the objectives of the associations.

The same decrees also allowed the sequestration of the property of persons deemed to have committed subversive activities.

Suspected subversives could also be convicted by the testimony of just one witness instead of at least two.

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CSO: 4200/556

AQUINO ASSURES NONINTERVENTION IN PRIVATE BUSINESS

HK260901 Manila MANILA BULLETIN in English 26 Apr 87 p 26

[PHILIPPINE NEWS AGENCY]

[Text] President Aquino said the government will no longer interfere in private business.

The President told a rural bankers' convention:

"This is a facet of the general economic policy I pledged to implement to get government off the backs of private business and its hands out of your pocket. Business however, will fund the same policy imposed on it. We intend to get business out of government and its hand out of the national coffers and national affairs until the state is confined to its proper role of providing for the protection of basic rights, security of the people and the basic well-being of its least advantaged members. There will be no favors for anyone. The power and prestige of the state will not be used but for the most exalted purposes of democratic political community and national honor."

Another reason learned in the past 15 years, she said, is that the private sector has always been the principal supplier of credit, even at the height of the Masagana 99 program.

She estimated that the credit requirement of the agricultural sector this year would be about P60 billion.

The government has less than P5 billion in agricultural credit funds and the government's role is to create an environment for the private sector to effectively and efficiently supply on a sustained basis the credit requirements of the economy.

It is also aimed at cutting off overdependence of the rural banking system upon the government for support and subsidy.

Because of the overdependence, she said only 850 of the 1,167 rural banks in 1981 survived after the 1983 crisis.

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CSO: 4200/556

UNIDO SEES GOVERNMENT CRACKDOWN AGAINST LEFT, RIGHT

HK190731 Manila PHILIPPINE DAILY INQUIRER in English 19 Apr 87 p 8

[Text] The United Democratic Organization [UNIDO], the party which catapulted Corazon Aquino and Salvador H. Laurel to power, yesterday said it expects the president to take a "rightist stand" and crack down on both forces of the extreme left and right after the August elections.

The Unido acting secretary general, Manuel Malvar said the party will urge Ms. Aquino to take a more rightist stand "to balance the excesses of the left" in case she clings to her centric position.

"You cannot solve the excesses of the left if you remain at the center," Malvar claimed. He accused the left-leaning Partido ng Bayan candidates of running "under the shelter of democracy" while their "brothers in the hinterlands continue fighting".

He charged the candidates with using the PnB for subversion purposes, adding that Laurel, who is also party president, shares his views.

Should other members of the coalition oppose Unido's moves, Malvar said, "it will be welcome because lines of ideology will be defined."

The country has been rocked lately by coup attempts engineered by forces of the extreme right while the communists have staged attacks against military forces resulting in at least 400 deaths.

Assessing the strength of the Unido congressional candidates, Malvar said the party expects to bag 40 to 50 seats out of the total 200. It has fielded 170 congressional candidates.

The opposition will be able to get 30 to 40 seats and the rest will be won by the coalition candidates, Malvar said.

He claimed "that the latent strength of the party accounts for my projection." He added that outside Metro Manila, Unido candidates are gaining strength.

A source, citing surveys conducted by various groups, said coalition candidates Arthur Defensor, Santanina Rasul, Ernesto Maceda, Vicente Paterno, Victor Ziga and Joey Lina, none of whom belong to the Unido--are among the acknowledged "weak" senatorial candidates.

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CSO: 4200/556

## PHILIPPINES

### LAUREL CRITICIZED FOR FOREIGN POLICY FAILURE

HK101313 Manila PHILIPPINE DAILY INQUIRER in English 10 Apr 87 pp 1, 10

[Article by Chay O. Florentino]

[Text] The Philippines despite its enhanced world image, continues to lag behind its neighbors in practically every area because of Vice President and Foreign Secretary Salvador H. Laurel's failure to give direction to the country's foreign policy, disgruntled DFA [Department of Foreign Affairs] officials charged yesterday.

Claiming that Laurel "lacks a global perspective," a high-ranking official who requested anonymity, said the vice president is more interested in attending to partisan politics related to his Unido [United National Democratic Organization] part than to foreign affairs.

"He's too busy with other things like the political campaign that he cannot sit down and formulate a foreign policy," the official said. Too much politics has caused Philippine diplomacy to take a backseat in Laurel's list of priorities.

After winning as Vice President together with President Aquino in last year's snap elections, Laurel was also given the post of foreign secretary reportedly as "a compensation." He said then that he was willing to sacrifice his presidential ambitions and instead run as vice president of Corazon Aquino for the sake of unity of the then opposition.

The Philippines should be taking advantage of the favorable image it had gained world-wide after the February revolution, the source said, adding that it is unfortunate that the department has not made concrete steps in that direction.

In the department itself, there is widespread demoralization among the ranks because of "chameleons"--more popularly known as "balimbing" [star-shaped fruit-allusion to turncoats]--who, though identified with former ambassador to the United States and Marcos brother-in-law Benjamin "Kokoy" Romualdez, have managed to get into the inner circles of power.

Another DFA official said that while Laurel is a "good and charming man" he does not realize that he is being "manipulated" by the so-called "Kokoy boys."

The employees and officials who comprise the career corps, have been relegated to the background, the source said, pointing to a number of political appointments and the absence of a criteria for assignments as reasons.

Some employees and officials have been able to get posts on the basis of political connections rather than on merit, in utter disregard of qualifications, added the source.

Laurel has parried these blows, pointing to Malacanang as the source of the controversial appointments. This has, however, failed to quell the growing dissatisfaction among DFA employees.

Even coalition senatorial candidate and former Foreign Affairs Under-secretary Leticia Ramos-Shahani had reportedly become frustrated with the way the department was run that she instead opted to run for the Senate where foreign policies will be formulated. Once the lawmaking arm of the government is in place, the DFA will serve as a mere implementing arm, the source said.

Laurel, who has been under fire these past days, could not be reached by reporters for comment on the new charges.

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LABOR PARTY CALLS LAUREL 'INEPT', 'DIVISIVE'

HK101055 Manila THE MANILA CHRONICLE in English 10 Apr 87 p 3

[Text] Officials of the ruling coalition Lakas ng Bayan (Laban) [People's Power] said yesterday Vice President Salvador Laurel has lost his political clout in many parts of the country.

Laban sources said yesterday the reported junking of some Laban senatorial candidates by Laurel did not really worry Laban campaign officials because the vice president's statements had little effect.

"All along we knew that Doy [Laurel's nickname] would not campaign for the whole Laban slate and from the start we presumed that we would not get any support from him," a campaign official who declined to be identified told the CHRONICLE.

He added: "We are prepared to do it all ourselves, and we believe we are doing very well without him. We only wish he would stop his divisive acts and leave us alone."

A ranking Laban official in a separate talk with the CHRONICLE, said Laurel has lost his credibility even among his party mates.

He blamed the defections of many of Unido's top officials to Laurel's "inept" leadership.

Among the Unido leaders who have left the party to join the Lakas ng Bansa, the newest group in the Laban coalition, were Ernesto Maceda, Neptali Gonzales, Luis Villafuerte and Alberto Romulo.

Two others, Rene Espina and Wilson Gamboa, are now with the opposition.

The official accused Laurel of "looking beyond the term of President Aquino."

"Laurel is now positioning himself as a presidential candidate and is trying to wield his influence in the congressional elections," he said.

Laurel has openly declared his dissatisfaction with the Laban slate because only three of his nominees were included. They were his brother Sotero, Mamintal Tamano and Orlando Mercado.

He has not joined any of the President's weekend provincial sorties.

The official said Unido had insisted on fielding its congressional candidates even in areas where there are official administration candidates.

In a related development, Laban senatorial aspirant Aquilino Pimentel Jr. said that Laurel's statement in Cebu City last Saturday was "a danger sign." He did not elaborate. He said that if the vice president was quoted correctly, "presidential intervention is needed."

Meanwhile, Orly Mercado, Unido vice president, yesterday reaffirmed his commitment to work for the entire Laban slate.

Mercado, in a press statement, said, "Instead of disintegrating our slate, this report about alleged junking has all the more galvanized us to work harder to attain victory."

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LAUREL REACTS TO STAFF CRITICISM, COMPLAINTS

HK141314 Manila MANILA BULLETIN in English 14 Apr 87 p 8

[Article by Olaf Giron]

[Text] Vice President and Foreign Affairs Secretary Salvador H. Laurel said yesterday he will create a board of inquiry to look into the complaint of an ambassador and her staff regarding what she considered a "preposterous" rash of promotions in the foreign service without commensurate compensation.

Ambassador to New Delhi Rosalinda V. Tirona came under a tongue-lashing from Laurel who called her a publicity hound destroying the good name of the Department of Foreign Affairs [DFA].

The vice president told newsmen that if Mrs. Tirona wanted to correct certain misdoings, she should have approached his office instead of the press which act, he stressed, is "against all rules and regulations."

"You get publicity, you hurt the department but you do not correct the wrong that you are complaining about," he said.

Tirona, in a letter to President Aquino, copies of which were distributed to reporters, urged her to "save" the career foreign service corps from the abuse of patronage and restore self-respect to the once elite government department.

The envoy noted that the Office of the President has designated 23 political appointees as heads of mission or deputies out of the available 71 foreign service posts.

She pointed out that a large number of promotions was based not on what the foreign service officers know but rather on whom they know. Moreover, she claimed, the promotions were made without benefit of recommendation of the Foreign Service Board.

For violating the rules of the career foreign service, Ambassador Tirona and her six-man staff, all of whom signed the letter, should be subject to disciplinary action, Laurel said.

He emphasized that the DFA is not like an ordinary department but one where the career officers have to take examinations to get into the service.

Asked whether he would recommend suspension to the parties concerned, Laurel said the board of inquiry will determine any action to be taken, adding that he has picked Undersecretary Jose D. Ingles to head the probe body.

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LABAN CANDIDATES TO SUPPORT MOVE TO IMPEACH AQUINO

HK100729 Manila PHILIPPINE DAILY INQUIRER in English 10 May 87 pp 1, 8

[Article by M. Ronquillo]

[Text] Two Lakas ng Bayan [Laban] senatorial candidates said yesterday they would support a move by the Lower House to impeach President Aquino if there is sufficient basis.

Saying that the Laban candidates are independent-minded people, candidates Augusto "Bobbie" Sanchez and Orlando Mercado told newsmen that they would support an impeachment resolution provided it is anchored on constitutional grounds.

Under the New Constitution, only the House of Representatives can file an impeachment resolution against the President through a vote of one-fifth of its members.

The resolution goes to the Senate if it gets a vote of two-thirds from the Lower House. The Senate will then form a special committee which shall try and decide the merits of the impeachment resolution.

Sanchez and Mercado, however, did not cite areas where they could prop up a constitutionally anchored impeachment resolution against the President.

"We are not running dogs of anybody," Mercado said in a news conference, apparently to belie charges that the Laban candidates will not fiscalize the Aquino government should its candidates sweep the senatorial elections.

On Laban's legislative agenda, Sanchez said there are four top priority bills supported by all the 24 candidates.

They are on economic recovery, land reform, nationalist education and strengthening of cooperatives.

A fifth area, which has gained massive support, is the strengthening of labor unions to promote workers' welfare and rights, Sanchez said.

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LABAN CANDIDATE SEES POLITICAL REALIGNMENT

HK190751 Quezon City ANG PAHAYAGANG MALAYA in English 19 Apr 87 pp 1, 2

[Article by Chit Estella]

[Text] Lakas ng Bayan (Laban) senatorial candidate Neptali Gonzales yesterday predicted a realignment of political forces after the May 11 elections and raised the probability that President Aquino would not be able to control the Senate even if her entire 24-man coalition ticket wins.

In a press conference, the former justice minister said the political realignment would take place as part of the "evolutionary process" taking place in Philippine politics. From this process will start the multi-party system that will be instituted in the country.

"Those who get elected as independents will form their own provincial parties," Gonzales said. But, he added, because of political realities, these forces might still align themselves with the popular administration of President Aquino.

It will be a different story in the Senate, however, Gonzales said.

"It has been the history and tradition of the Senate that its members, once elected, take an independent stance," he said.

Gonzales attributed this to the wide disparity of political beliefs held by the Laban candidates themselves.

"Considering the ideological luggage they will be bringing to the Senate, probably President Aquino herself won't be able to control it," he said.

In addition, "senators have national constituencies, just like the President," he said. Senators would, therefore, owe their positions not to a particular region or group of persons but to the entire nation.

Explaining the broad political spectrum within Laban, Gonzales said some candidates within the party belong to the "Opus Dei," a religious organization generally described as rightist, while other have political sympathies that are perceived to be left-leaning.

However, when pressed to identify the senatorial candidates belonging to the Opus Dei, Gonzales declined, saying he did not wish to create any biases for or against these candidates.

While there are real differences in political ideas within Laban, Gonzales said, such cannot be said of the entire opposition tickets of the Grand Alliance for Democracy [GAD] and the Union for Peace and Progress-Kilusang Bagong Lipunan [KBL-UPP].

He described these are merely "parties that are out of power." Theirs is not the kind of opposition that would make the country's newly-acquired democracy vibrant and strong but would instead cause its death, Gonzales said.

Meanwhile, another Laban senatorial candidate, Edgardo J. Angara, said there is a need for Congress to further reorganize the government.

He said the reorganization must be done to eliminate overlapping functions that have made government offices cumbersome, inefficient and costly. But while a streamlining of government functions needs to be carried out, it should not be done in violation of the rights of civil service and career employees, Angara said.

Laban senatorial candidate Teofisto Guingona said he would press for legislation in Congress for public accountability of officials of government financing institutions for anomalous credit lines and loans.

Guingona said that under the new Constitution public accountability of public officials is mandated.

"I do not see any reason why officials of the Development Bank of the Philippines, Philippine National Bank, Land Bank of the Philippines, Government Service Insurance System and the Social Security System should not be held accountable for be penalized for anomalous credit loans and borrowings," he said.

The 24-man slate of ruling coalition of senatorial candidates are expected to breakup along party lines to constitute "in-house" opposition blocs among themselves once elected.

The Lakas ng Bayan coalition predicted that "party interests" will prevail among the pro-Aquino candidates who make it to the Senate.

But Laban said the constitution of "formidable" opposition blocs among the administration candidates would occur without derailing the economic program of President Aquino.

"There is in reality no need to elect GAD candidates because the Labor slate is merely a coalition, and the individual senators are expected to vote along party lines and interests, said a Laban press statement quoting Ernesto Herrera during Holy Week consultations with Labor leaders in Cebu City.

Herrera said the advantage of having the entire Laban slate elected in the Senate is that, on crucial administration matters, the upper house can be dependent upon by President Aquino to "provide the necessary legislative support and vision."

Herrera said that "people like Enrile, Ople and Tatad were given the opportunity to serve the people rather than the dictatorship of Marcos."

"They failed the people, so why should they be given a second chance to ruin the country," asked Herrera, former head of the Trade Union Congress of the Philippines.

The ruling coalition includes the Liberal Party (Salonga wing), the Unido, the DPD-Laban, Bandila, the National Union of Christian Democrats, the Lakas ng Bansa and representatives of cause-oriented groups.

"We in the Laban slate represent diverse sectors, groups and interests, and we will be fiscalizing each other even as we support the critical programs of President Aquino," said Herrera. He added that "GAD senators will therefore be superfluous obstructionists."

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BUSINESSMEN WARY OF CONGRESS EFFECT ON ECONOMY

HK061120 Quezon City BUSINESS DAY in English 6 May 87 p 20

[Text] Philippine Chamber of Commerce and Industry president Aurelio Periquet Jr said yesterday the "biggest fear" of the business community is for the new Congress to undermine the interest of national economy and decide in favor of a few vested interests.

Periquet, who spoke on behalf of the private sector during yesterday's meeting of the business community with President Aquino, said the fate of the economy will be on the line on May 11.

Periquet said the "ambitious but attainable" economic targets of the Aquino government "can be undermined by a legislature that does not share the same vision or possess little understanding of the more subtle mechanics of steering an economy in the right direction."

He pointed out that many important issues like land reform, foreign debt restructuring and trade liberalization will be "before the new Congress."

"What we in the business community would like to see in the longrun is an economy that is a haven for investors," Periquet said. The business community is not "overly anxious" for government incentives, he said, since the market provides the best incentive in the long run.

"What we wish to be assured of is a stable, steadily growing economy, with minimal regulation and intervention from government, whose rules of the game do not change with the whims of the national leadership, and where law enforcement against graft and corruption is firm," Periquet said.

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MALAYA REPORTS MARCOS' URBAN TERRORISM PLAN

HK011021 Quezon City ANG PAHAYAGANG MALAYA in English 1 May 87 pp 1, 6

[Article by Sonia Dipasupil]

[Text] Deposed President Marcos has directed three wanted renegade military officers to wage a campaign of urban terrorism, including bombings and kidnappings, in his continuing bid to wrest power from the Aquino government, a ranking military official told MALAYA yesterday.

The official, who requested anonymity, said P80 million to P100-million has been allotted to finance the terror campaign.

The bombing and kidnaping operations are expected to be launched before the May 11 congressional elections.

The source, who is in touch with various intelligence "listening posts" abroad, said the information was classified as "A-1," meaning that its authenticity was "unimpeachable."

The overseas reports said renegade officers Brig. Gen. Jose Ma. Zumel, Col. Rolando Abadilla and Lt. Col. Reynaldo Cabautan have been assigned to carry out the urban terror campaign.

Recruitment for the urban operations among military men sympathetic to the former president's cause is reportedly still in progress, with enlisted men being offered from P6,000 to P10,000 each for joining the plan; middle-grade officers, P30,000 each; and generals, up to P500,000 each.

As this developed, a Chinese businessman was reported yesterday to be aiding loyalist government troopers in their destabilization efforts.

The businessman was described by a military source as a Hong Kong national. A logging contractor since 1983, the Chinese recently acquired a company which has a logging concession in Kabugao, Kalinga-Apayao.

He is also believed to be acting as a Marcos front in various logging operations. The source said he supports both Marcos loyalist troops and local

New People's Army guerrillas. He is supposed to be a personal friend of "Ka [Comrade] Ismael," the NPA chief in the logging site.

The Chinese is reported to be giving P3 million yearly to both the NPA and pro-Marcos soldiers. The money is on top of donations of firearms and ammunition.

The source added he also supplies the NPA names of other businessmen who could be tapped for "donations." He even acts as go-between for the NPA and the target businessmen.

Zumel, Abadilla and Cabauatan have denied involvement in several coup tries crushed by forces loyal to President Aquino the past 16 months. The latest attempt was on Black Saturday, April 18, when a group of rebel soldiers attacked Fort Bonifacio. Bomb explosions at two multinational soap factories coincided with the pre-dawn-raid.

The three renegade military officers have remained at large despite orders for their arrest issued last Jan. 30.

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TV REPORTS ALLEGED EXECUTIONS BY MILITARY

HK011415 Hong Kong AFP in English 1357 GMT 1 May 87

[Text] Manila, May 1 (AFP)--The corpses of five civilians, one of them bearing marks of torture, have been found in a remote hamlet in the Central Philippines where the villagers claimed the victims were executed by soldiers, government television reported Friday.

The station, in an unusual report implicating government forces, showed on its early evening news program in Manila lengthy footage of the search and discovery of the victims on a hilly, forested area called Hiyang-Hiyang, near the central city of Cadiz.

The bodies included those of three teen-aged girls, who the station said were claimed by an eyewitness to have been "molested" before they were killed and dumped in a pit hidden by bushes and tall reeds.

Another body lying nearby was that of Gregorio Amasco, who witnesses reportedly said was a suspected communist New People's Army (NPA) guerrilla. The station said the man was "badly beaten" and that his corpse bore "gunshot and stab wounds."

It also showed the charred remains of a man, identified as 59-year-old Antonio Segaylo, and the burned out foundations of what appeared to be a hut.

The reporter described the killings as "brutality that is beyond comprehension," and quoted witnesses as saying the executions occurred during a recent "military operation" in the area.

A weeping woman, Josefina Paner, whose daughter Rosy was among those killed, answered "military, military" when asked by another reporter who were behind her daughter's slaying.

Mrs Paner and other relatives who joined the search insisted that soldiers had arrested their kin shortly before they were found dead Tuesday, the station said.

The head of the lone military unit known to be operating in the district reportedly said that there was a clash between his men and the NPA in the area over the weekend, but that an investigation was in order.

"I heard about these atrocities that happened in Hiyang-Hiyang, and I will see to it that justice will be given to whom justice is due," Colonel Pablo Sencil told the station in a separate interview.

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CSO: 4200/556

REPORT ON CHRONICLE INTERVIEW WITH MISUARI

HK151417 Manila THE MANILA CHRONICLE in English 15 Apr 87 pp 1, 5

[Article by Editor-in-chief Amando Doronila]

[Text] Jolo--Mindanao is poised on the crossroads of peace or another round of vicious Moro wars.

The truce forged in the historic meeting last September between President Aquino and the leader of the Moro National Liberation Front (MNLF), Nur Misuari, at Maimbung, Jolo, hangs precariously on the balance following the suspension of peace negotiations last April 9.

The MNLF sought the suspension in protest against what it claimed as a "betrayal" of the truce. The protest was provoked by the clash on April 6 between the Armed Forces and the MNLF in Payao, Zamboanga del Sur, a rebel base.

Regardless of who provoked the fighting, tensions have heightened over the stated negotiations for a political settlement of the 17-year-old Moro struggle for self-determination.

Drums of war are resonant in this island. In his yet toughest statement following the suspension of the talks, Misuari, in an exclusive interview with the CHRONICLE on Sunday warned that should the peace talks fail, the MNLF was prepared to "spread the flames of war" to provinces in Mindanao previously untouched by the wars of the 1970s.

Misuari gave the two-hour interview at an MNLF training camp in Pasil, Indanan, 18 kilometers northeast of Jolo. He was surrounded by senior MNLF commanders and negotiators facing the government panel in Manila.

Misuari said his Bangsa Moro Army estimated by the Government at 10,000 (MNLF sources claim 70,000), was on "high alert." He said his forces were ready to respond "within hours" if there were further "provocative actions" by the military.

"We will give peace a chance," Misuari said. "We will not provoke, but we will fight if attacked. Now that we have been betrayed, our people have given us free reign in deciding whether to go to war or (pursue) the peace process. This decision is absolutely now at the discretion of the MNLF leadership."

Over the weekend, Misuari had talked with senior MNLF commanders and members of the negotiating panel, led by Habib Hashim. The recall of the panel from Manila following the suspension of the talks suggested that the negotiations were on the "make-or-break" stage.

Misuari did not say how long the MNLF would take part in the negotiations which began on Feb 9 if talks failed to resolve the fundamental issue of autonomy for 23 Mindanao provinces, including Palawan.

But there were two factors that shortened the fuse of the Mindanao tinderbox. The first was the intensifying military activity in Jolo and Zamboanga del Sur. The second was that the MNLF was trying to push for an agreement before the next Congress sits in July.

Under the 1986 Constitution, Congress is given the mandate to enact the Organic Law governing the creation of autonomous regions in Muslim Mindanao and in the Cordilleras.

The MNLF is concerned that the intervention of Congress would inhibit its goal of forming an autonomous region comprising the 23 Mindanao provinces, including Palawan. This contrasts with a government proposal envisaging an autonomous region of only 10 provinces comprising Regions 9 and 12.

These two regions include the provinces of Basilan, Sulu, Tawi-tawi, Zamboanga del Norte, Zamboanga del Sur, Lanao del Norte, Lanao del Sur, Maguindanao, North Cotabato and Sultan Kudarat.

The impatience and frustrations of the MNLF are growing over the deadlock on the main issue of the territorial delineation of the autonomous regions.

The issue stems from the perception by the MNLF that under the agreement signed by Misuari and the government negotiator, former Minister of Local Government, Aquilino Pimentel Jr, on Jan 3 in Jeddah, Saudi Arabia, the Government had agreed to grant "full autonomy" to the 23 Mindanao provinces.

This perception is based on the joint statement of the Philippine-MNLF panels which said that the panels "agreed to continue discussion of the proposal for the grant of full autonomy to Mindanao, Basilan, Sulu, Tawi-tawi and Palawan subject to democratic processes."

This statement is elaborated by another joint statement signed by Misuari and Pimentel on Jan 4 stating that the panels agreed to "create a joint commission which will discuss and draft the mechanism and details of the proposal for the grant of full autonomy to Mindanao, Basilan, Sulu, Tawi-tawi and Palawan subject to democratic processes."

The key words, in the perception of the MNLF, are "discuss and draft and mechanism and details of the proposal for the grant of full autonomy." Implicit in this, argues the MNLF, is that what all the panels have to discuss are the details, since the concept of full autonomy for the 23 provinces have already been agreed upon. The Government has denied it has ceded this point in informal talks with the MNLF.

Misuari, in the interview, stressed his point of view. He said the "bottomline in the negotiations is 23 provinces." He said there was no point in moving into matters such as the relationship between the central government and the autonomous region unless this fundamental question was settled.

He suggested this would be putting the cart before the horse. On this issue, and with provocation from the Armed Forces, the MNLF appeared ready to break off and go to war.

Misuari said that "it's time to warn people that if there should be war, the dimension will not be limited to former areas. I want to prepare the people's mind that the MNLF will spread the flames of war to areas not touched before. Wherever there is an enemy, that is legitimate target. But we will see to it that people will not be caught in the cross-fire."

He also said that if war broke out, "I am going to lead this war." This apparently was in reference to criticism that during most of the wars in the 1970s, he was abroad carrying out the struggle by lining up support of the Islamic countries. Northern Mindanao, he said, could be the possible areas of expansion of the conflict.

Misuari does not cease to remind that when he signed the Jeddah Agreement, that was already a comedown from the original demand of an independent Bangsa Moro Republic--which, in effect, was secession from the Philippine Republic. He recalled that when he decided to agree to a ceasefire with the Aquino Government last September, he believed that the Government was responsible and was sincere in finding a political settlement.

He also believed that because the Government was under threat from forces loyal to the Marcos regime or to former Defense Minister Juan Ponce Enrile, he wanted to help the Government overcome coup attempts by "fascist" groups within the Government.

He said when the Government was beleaguered by internal instability, the situation in the South was the key to the problem in the North." He recalled that he refused an invitation to meet Mrs. Aquino in Manila because his presence would have been used by Enrile to provoke a move to overthrow the Aquino Government.

"It would have been easy for Enrile to lock both Mrs. Aquino and myself," he said. He did not want to go to Manila because "I did not want to go down in history as having been responsible for the overthrow of the Aquino Government."

Misuari said that peace in the South was crucial to the stability of the Aquino Government. If war broke out in the South while the Government was launching a military offensive against communist insurgents in many parts of the country, Misuari said, this would lead to anarchy.

He said there were no links between the National Democratic Front (NDF) and the MNLF. Neither were there approaches for cooperation. "We have no contact," he said. However, he recognized that the NDF was hoping there would be no accommodation between the Government and the MNLF and that, according to Misuari, the NDF expects the MNLF to declare war. If there were an accommodation he said, it would be easier for the Government to deal with the communist insurgency.

"Once we launch our military action," Misuari said, "they (the communist) guerrillas will also do the same thing. It does not serve the interests of our people if there is anarchy. This would give opportunities for fascist elements to intervene and overthrow an ineffectual central Government convulsed by Muslim, as well as communist, rebellions."

Recent history is on the side of Misuari in his assessment if a devastating civil strife confronts the Government both from the communist and Muslim sides.

In the Muslim wars of the early 1970s, the Muslims tied down 70 per cent of the Armed Forces and cost the Marcos government most of the \$325 million military allotment in 1975 (four times the 1972 budget of \$80 million). At least 60,000 people were killed during the MNLF-led secessionist war from 1972 to 1976, leaving millions of others homeless.

This staggering cost gives an idea of the drain of resources that would be caused by a conflict in Mindanao and in the other parts of the country on a two-front conflict. This could certainly set back economic recovery and make the central Government vulnerable to political instability and turbulence.

Perhaps, in the efforts by the Government and the MNLF panel to break the impasse, a creative formula may be found to satisfy essentially the demand for "full autonomy" in 23 provinces without impairing the political and economic attachment of Mindanao to a unitary Philippine Republic. The goal of the Government for the preservation of the territorial integrity and sovereignty of the Philippines is a demanding challenge for Filipino negotiators. They can be creative--and the MNLF will be reasonable enough to respond constructively.

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LUZON NPA LEADER CALLS FOR CHDF DISMANTLING

HK081148 Manila THE MANILA CHRONICLE in English 7 May 87 p 11

[Article by correspondent Rod Lusterio]

[Text] A ranking leader of the New People's Army (NPA) in Southern Luzon has asked the government to dismantle immediately the civilian home defense force (CHDF) and all vigilante groups to hasten peace efforts by the government.

In an exclusive interview with the CHRONICLE, Ka [Comrade] Deo, NPA zone commander for the Quezon-Bicol area, also urged local town officials to look into the economic problems of the people in the region.

Arranged by an emissary of the rebels and town officials, the two-hour interview was held in a remote village about 25 km from the town proper.

The rebels, clad in military uniforms, led us into a solitary nipa hut overlooking the terrains. We later learned that there were 40 rebels, six of which were young and pretty amazons.

Boiled corns, biscuits and coffee were served by the amazons after the rebel leaders warmly received us.

In the "panel" for the rebel side were "Ka Deo", "Ka Abel" and "Ka Jake" while on the other "side" were the town mayor, a town councillor and two barangay chairmen.

The rebels said the government still lacks the political clout to answer the people's clamor for change. However, Ka Deo said, they are supportive of the present regime.

Ka Deo said that if the local officials will continue with their projects that would attack the roots of the problem, "peace will be attained in the very near future."

When asked if their members are free to return to the folds of the law, Ka Deo said membership in the revolutionary movement is voluntary and they can leave the movement anytime at their own risk.

The rebel leader expressed hopes that with the election of some "progressive nationalists" to Congress, the "climate" against the CPP [Communist Party of the Philippines]/NPA [National Democratic Front]/NDF will change considerably.

He said that although they are not participating in the May 11 elections, they have "sympathies" for all the seven Partido ng Bayan [PNB--People's Party] senatorial bets and at least eight administration candidates.

The rebels said the government should now work for the genuine settlement of the conflict rather than by offering amnesty in exchange of firearms.

Ka Deo at the end of the interview decried government charges that they re engaged in illegal extraction. He said donation and contributions are given by sympathizers voluntarily. With these funds, he said, they are able to procure firearms, food and medical supplies.

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CSO: 4200/556

NDF SUPPORTS MUSLIMS' DEMAND FOR SECESSION

HK281017 Manila THE MANILA CHRONICLE in English 28 Apr 87 p 6

[Article by staffer Raissa E. Robles]

[Text] Masurata City, Libya--The National Democratic Front (NDF) has expressed its support for the Filipino Muslims' right to self-determination "even up to secession."

This NDF international representative Luis Jalandoni publicly announced in Libya during a four-day conference of revolutionary organizations the world over, including the U.S.

It was the first time that the NDF expressed its support for Muslim secession in a public forum.

Jalandoni's statement was applauded by an audience composed mostly of representatives from various secessionist movements.

For instance, a representative from the fledgling Na OIwi o Hawaii (or the Bones of Hawaii) told the CHRONICLE their ultimate goal was secession of the Hawaiian Islands from the U.S.

The same was true with the Moluccan Democratic Front which has been fighting for independence of the Moluccas Islands in Indonesia.

The NDF announcement was also welcomed by MJLF officials.

But privately, Abdulrasad Asani and Abdullah Usman told the CHRONICLE that if the NDF takes over, the MNLF would fight for secession because "communism and Islam are incompatible."

Despite this incompatibility, however, both the MNLF and NDF had worked together in 1980 to appeal before the Permanent People's Tribunal in Bologna, Belgium, for their separate rights to self-determination.

The tribunal had favorably concluded that "armed struggle between the Marcos regime and the Filipino and Bangsa people qualifies in international law as a condition of belligerency."

With the NDF reportedly more confident of taking over power, it published last March 1 a primer on its general program of government.

This primer, though, limits NDF support for Muslim independence only as "the right to secede from a state of national oppression." Some claim this means Muslims can only secede if the government is oppressing them.

However, Jalandoni refuted this, saying that secession is not just a weapon against national oppression but is a right itself.

Asked why the NDF would be willing to shrink its territory when it takes over, Jalandoni replied that the NDF recognizes the Moro people's right to self-determination.

The NDF, however, will try to persuade the Moro people to accept regional autonomy within the national framework after an NDF takeover, he said.

The NDF, he added, also will consider the territory to be up for secession and the rights of Christian settlers in the area as still subject to negotiation.

On territory, the CHRONICLE learned that the areas originally covered by the MNLF secession bid included Southern Leyte. Zamboanga City was the proposed capital of the Bangsa Moro Republic, according to a map exhibited by the MNLF during the conference.

Asked why a Visayan Province was included, an MNLF source replied that "in making revolutionary demands, if you want the moon, you hit for the sun, so you can negotiate downward."

Significantly, the MNLF in its current talks with the government, does not include southern Leyte as part of its demands.

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CSO: 4200/556

RIVAL GROUP ACCUSES CPLA OF 4-WAY SPLIT

HK011359 Manila THE MANILA CHRONICLE in English 30 Apr 87 p 6

[By staffer Marites Sison]

[Text] Banaie, Ifugao--The leftist Cordillera People's Democratic Front (CPDF) claimed last Sunday that its rival, the Cordillera People's Liberation Army (CPLA) is now split into four factions because of "political ideological differences" and "personal ambitions among its leaders."

In a press conference held in a "CPDF-Consolidated" barrio a 30-minute hike from the national highway here, CPDF official also said they have a strong inkling that recent coup attempts that were aborted were "stage-managed" by Government in order to get votes for its candidates and elicit sympathy for the President.

Ka [Comrade] Mike, CPDF regional secretariat member, said the alleged CPLA leaders Conrado Balweg, former rebel priest, Mayled Molina, former Army Lt. Moises Lingayo; and Fr. Bruno Ortega are demoralizing its members. According to Ka Mike, differences exist between the CPLA leaders since "Balweg is now basically reformist, Lingayo wants the group to be attached to the military, while Molina is accusing Balweg of hiding something from the mass membership." The issue of "missing CPLA funds" has also cast doubt on the leadership of Balweg, the CPLA's official representative in the peace talks with Government, he added.

Ka Mike also explained that since April the CPDF has shifted its policy from merely isolating the CPLA politically to "physically eliminating it," which means some of its key leaders, "especially those who have capitulated with the military" are now targets for liquidation.

A "policy of restraint" continues to be adopted with regard to Balweg, which means he may only be captured alive and brought to trial before the CPDF's "people's court." For the CPLA's mass membership, a policy of "winning them over" is still being adopted, he said.

In a separate interview with CHRONICLE, Ka Mike said many CPDF cadres hold the view that the Government may have "stage-managed" recent coups

allegedly attempted by soldiers loyal to deposed President Marcos, since the Government has "allowed ring leaders of those incidents to roam around."

The Government, he added, "appears not to be serious in enforcing the full force of law" on these recalcitrant members of the military.

The CPDF officials also told the press conference they have gathered reports that Balweg now has among his advisers a priest who had aided the U.S.-funded Contra guerrillas in Nicaragua. The priest, whom they did not identify, arrived in March, according to Ka Elias, another CPDF regional secretariat member.

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CSO: 4200/556

**FOREIGN SERVICE OFFICERS REJECT REORGANIZATION PLAN**

HK051305 Manila PHILIPPINE DAILY INQUIRER in English 2 May 87 pp 1, 10

[Article by Chay Florentino]

[Text] A plan to reorganize the foreign office and undercut Vice President and Foreign Secretary Salvador H. Laurel was rejected yesterday by foreign service officers.

In another development, the Foreign Service Institute is drafting a bill for Congress seeking to limit political appointees to top positions—from chief of mission up.

Sources who spoke on condition they were not identified, said the plan was drafted by Reorganization Secretary Luis Villafuerte without consultations with department officials.

Laurel and Villafuerte used to belong to the United Nationalist Democratic Organization until the latter bolted it early this year to cast his lot with President Aquino's ruling coalition.

The plan is already embodied in Executive Order No 132, reportedly signed by the President but not yet officially transmitted to the foreign office, the sources said. They added the plan "erodes the prominence of the foreign office and limits the role of the foreign secretary."

The sources said the department planned to submit its own reorganization proposal to the President last Thursday.

Seven assistant secretaries of the department were summoned to an urgent meeting last Tuesday by Undersecretary Manuel T. Yan to prepare the counter-proposal.

The Villafuerte plan was interpreted by some as another rebuff of Laurel by Malacanang, this time over reorganization schemes in his own department.

Officials said the plan reflects "simple ignorance (of those who drafted it) of the workings of the foreign office."

One of the sources said the Villafuerte draft did not take into account the "unique and specialized nature of the setup" at the foreign office.

Citing an example, the source said that under the Villafuerte draft, the foreign secretary can only recommend to the President the appointment of assistant secretaries; the current setup empowers the secretary to designate assistant secretaries.

The source explained that unlike other departments, the foreign office has a pool of chiefs of mission appointed by the President. From this pool, the foreign secretary designates assistant secretaries or executive directors in the home office. This exclusive power is taken away from him by the Villafuerte draft.

"It's being repetitious. We're appointed to positions then given assignments by the President. It's never been done before. The secretary is the one who gives assignments in the home office," the source said.

A group from the Public Administration Office of the University of the Philippines, which was commissioned by the department to work out a reorganization plan, had done a better job than the Villafuerte group, the sources said.

Their proposal was submitted to the foreign secretary. "Ours was better," claimed a source who expressed surprise why their draft was not chosen by the President.

Another official said the DFA [Department of Foreign Affairs] is losing the eminence it enjoyed in the 1950s. Many interagency committees which ambassadors used to lead are now headed by officials of other departments like finance, health and education, the source noted.

The DFA is "hoping" the President will sign and make official the 14-page draft prepared by the assistant secretaries of the department, to correct the oversights in the Villafuerte draft, the source added.

The proposal to limit political appointments hopes to stop what sources have called the further deterioration of the foreign service.

Political appointees who used to be only ambassadors are mostly non-career officers who are named by the President to various ranks in the foreign service.

Letters have been sent to the President by career employees, expressing deep concern and dismay over the spate of appointments and promotions of individuals who they believed were not qualified.

One letter from the Philippine Embassy in Madrid said that in the past year alone, at least 23 persons have been appointed Foreign Service Officers (FSOs) without passing the required FSO examinations.

Others, the letter claimed were made chiefs of mission, while those who were promoted to the rank last year remain "floating."

The Philippine Embassy staff in New Delhi and Washington wrote a similar letter to the President. They urged her to order the Board of Foreign Service Administration to review all appointments and promotion issued after Aug. 21, 1986. The disgruntled foreign service personnel believe that all appointments and promotions recommended by the board on or before that date were in accordance with established procedures and regulations, hinting that appointments recommended after that date were not.

The bill being prepared by the Foreign Service Institute also aims to update Republic Act 798, otherwise known as the Foreign Service Code which was passed in 1952. A source said the bill will also cover salaries, retirement and recruitment procedures.

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CSO: 4200/556

NDF CLAIMS KILLING OF DIMAPORO AIDE

HK220213 Manila PHILIPPINE DAILY INQUIRER in English 20 Apr 87 p 9

[Text] Iligan City--The National Democratic Front (NDF) in Northwestern Mindanao [NWM] has claimed responsibility for the slaying of a politician's henchman and warned the powerful Dimaporo family against terrorism in the coming local elections.

Slain was Henry Tumimbang, 45, a Christian who was shot by communist guerrillas in Karomatan, Lanao del Norte last March 28. He was accused by NDF-NWM as a "counter-revolutionary" Dimaporo loyalist who allegedly intimidated civilians to vote for his patron, Abdullah Dimaporo for the second district of Lanao del Norte. Abdullah, a former MP, is the son of former Lanao del Sur governor Mohamad Ali Dimaporo.

Evelyn Silang, 35, and Jogan Montes, 22, two top cadres of the NDF-NWM described Ali Dimaporo, Abdullah and Naga (Ali's younger brother), as the "most notorious warlords" in Lanao del Sur and Lanao del Norte. They urged voters in a mimeographed statement to reject the Dimaporos in the coming polls.

Silang is the chairman of the NDF-NWM provisional council while Montes is the region's military commander. He (Montes) also represented the local NDF during the 60-day truce. The two were interviewed in a well-secured guerrilla base in Lanao del Norte.

The mimeographed statement of NDF-NWM branded the Dimaporos as the chiefs of the private army Baracudas which they estimated to number 1,000 in Lanao del Sur and Lanao del Norte. They named the private army as responsible for a series of banditry in the province and for the February 6 murder of a farmer and his wife, the serious wounding of a youth, lootings and the mass evacuation in Ditago, a mountain barangay of Karomatan town, Lanao del Norte.

Ali Dimaporo and son Abdullah are congressional hopefuls in Lanao del Sur and Lanao del Norte, respectively. Naga, the former mayor of Karomatan (94 km south from here) is reportedly eyeing to retake the post he lost after the February revolt.

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CSO: 4200/556

SIN ADMITS CHURCH SPLIT ON POLITICAL ISSUES

HK011403 Manila THE MANILA CHRONICLE in English 1 May 87 pp 1, 3

[Article by staffmember Marites Sison]

[Text] Manila Archbishop Jaime Cardinal Sin yesterday acknowledged for the first time that the Catholic Church hierarchy had been split on such political issues as the church's relations particularly with the Marcos government.

Sin said the church's involvement in national affairs during the Marcos years had at times led to "conflicts among church leaders, (creating) some confusion in the minds of the faithful."

In the past, Sin had repeatedly denied there was ever a split within a church on such issues as the relations between the church and state and the role of the church in society.

Sin spoke at the Silver Jubilee celebrations of the Collegio Filipino in Rome.

Sin said the church had been "necessarily involved" during the Marcos period because the critical socio-economic and political situation "demanded both clear directives and swift action."

Sin expressed confidence that the intervention of bishops who have issued "moral directives" on matters closely related to political issues would steer the country's church people away from the "theology of liberation that advocates violence."

Sin was obviously referring to the guidelines he issued on the role of priests and the laity in the coming elections. The guidelines cautioned them against supporting parties and groups which advocate violence and class struggle.

Sin said the change from a "dictator" to a "more democratic" government has also "changed the minds" of nuns and priests who had "fallen into the unscientific use of Marcos analysis and had openly advocated resource to violence."

Sin called the theology of liberation "another problem" which has crept into the Philippine scene mainly because of the "socio-political situation in the immediate past."

"This so-called theology of liberation, at least in the places where the problem really exists, appears to be a simple carbon copy of Latin American liberation theology whose context, even if somehow similar, is still different from our own," he said.

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CSO: 4200/556

BISHOPS CONDEMN BOMBING OF FORTICH RESIDENCE

HK041159 Manila MANILA BULLETIN in English 4 May 87 pp 1, 18

[Excerpt] The Catholic Bishops Conference of the Philippines (CBCP) has condemned as a "dastardly act" the bombing of the resident of Bishop Antonio Fortich in Bacolod City last April 28.

The CBCP, through its secretary general, Bishop Nestor Carino, said in a statement that whatever the motivation, it cannot be justified.

While thankful that nobody got hurt, the bishops' statement said it condemned the bombing "in the strongest possible way."

The CBCP also supported Fortich in his determination to seek justice for the poor of his diocese despite threats to his life.

"It admires his courage," Carino said. "It accompanies him with prayers and asks all men of goodwill to support him in his difficult mission of preaching the gospel of truth and justice during these difficult times."

Carino also clarified the selection of the much-talked about Ten Outstanding Senatorial Candidates (Tosca), all of them from the administration slate. The Tosca has prompted other religious groups like the Iglesia ni Kristo (Church of Christ) to come out with its own list.

The Tosca awardees for their integrity, past record and competence are Alberto Romulo, Edgardo Angara, Tito Guingona, Rene Saguisay, Bobby Tanada, Raul Manglapus, Letty Shahani, Jovito Salonga, Vicente Paterno and Nene Pimental Jr.

Carino emphasized that "to clarify the confusion in the minds of some, the CBCP would like to state that Tosca was the choice exclusively of VERITAS magazine." The magazine is not owned, nor does it have any connection with the CBCP, Carino declared. The CBCP as such does not have any line-up of senatorial candidates, he added.

Yesterday, the pastoral letter of Jaime Cardinal Sin on the guidelines of the laity in the coming elections was read in all parishes in Manila. Sin has also come out on television in paid ads endorsing the Tosca awardees without mentioning their names outright. He had earlier announced that he would not endorse any particular candidate or engage in "partisan politics."

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CSO: 4200/556

ONGPIN ON EXPANDED PRIVATIZATION THRUST

HK291249 Quezon City BUSINESS DAY in English 29 Apr 87 p 2

[Article by Claro P. Fernandez]

[Text] Government intends to expand the functions of the Asset Privatization Trust (APT) to include the disposition of sequestered assets which have been recovered and found to be ill-gotten by the Presidential Commission on Good Government (PCGG).

The APT, which was formed under Proclamation 50, acts as the primary disposition entity for non-performing assets [NPAS] as well as other government corporations for sale.

Finance Secretary Jaime V. Ongpin, said government is evolving new thrusts to facilitate the disposal of sequestered assets recovered and identified as ill-gotten wealth of former President Marcos and his cronies.

Ongpin, speaking before members of the Osaka Chamber of Commerce and Industry in Japan last Monday, said the privatization of the assets recovered as ill-gotten could be patterned after other debt to equity schemes of government which are now in place.

While the APT may be open to the idea of selling ill-gotten assets, APT chief executive trustee David Sycip had said earlier that if the PCGG entrusts sequestered assets to the APT for disposition, "these should first have clean titles."

Citing that foreign direct investments accounted for only 0.7 percent of the total investments in the last 10 years "says a lot about the investment climate" under the old regime, Ongpin said the Aquino government has done a great deal in its maiden year to make the country more attractive to Filipinos and foreigners.

Beyond the desire to raise revenues and stem the drain on the country's coffers, Ongpin said, the government is affirming its political will to carry out privatization programs and its recognition of the rightful role of the private sector in the development process.

Ongpin, who is still in Japan where he spoke before the 20th annual meeting of the Asian Development Bank (ADB) yesterday, briefed Japanese businessmen on the different debt to equity schemes formulated by government.

The debt to equity mechanisms chosen by government, the Philippine Investment Notes (PINs) and debt/equity conversion program under Central Bank [CB] Circular 1111, provide an orderly and comprehensive framework for the transfer to private ownership, Ongpin said.

PINs are freely transferable, non-interest bearing, foreign currency denominated obligations of the Central Bank with a six-year bullet maturity. They are convertible at any time before maturity into their full peso value and are used to fund approved equity investments under the CB circular 1111 program.

PINs are designed to complement the country's debt-capitalization program and will be available in the exact amounts and the precise time required by the investor, making unnecessary the time-consuming process of acquiring rescheduled credits on a case-to-case basis on the secondary market.

No CB fees are charged on PINs, unlike the 5 percent to 10 percent charge on other debt/equity conversions.

He said that while most of the assets which are up for privatization under the APT are non-performing assets, there are a good number among the 125 public sector corporations which have outstanding records of profitability.

Citing the state-owned Philippine National Oil Company's [PNOC] oil refining and marketing subsidiaries, Ongpin said Petrophil Corp. and the Bataan Refinery Co. (BRC) will probably be the first major state corporations to be privatized.

Petrophil and BRC have been valued by Citicorp to be worth more than 20 times their acquisition cost, Ongpin said.

Newly appointed PNOC president Manuel Estrella told newsmen yesterday the PNOC board is re-studying the privatization move.

The study made by Citicorp, Estrella said, is but the first concrete phase or "initial step" of the long road to privatization which still has to have a timetable up to this point in time.

While valuation of many of the NPAs and other idle public corporations are under way, Ongpin said government is "not bound by any preconceived notions" about the value of the assets which are intended to be privatized.

In the case of the NPAs, Ongpin said, "We are prepared to take a hit," knowing that the book value of these assets have very little relevance to realizable market values.

"We shall also keep an open mind with respect to the valuation of public sector corporations, relying principally on arms length fairness and other generally accepted valuation methods," Ongpin said.

Even as government was busily fashioning the privatization framework, he said, the government was also putting final touches on a program providing for the conversion of part of the country's external debt into equity investments in Philippine companies.

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CSO: 4200/556

CB TO RAISE FOREIGN DEBT LIMIT TO 30 PERCENT

HK011509 Quezon City BUSINESS DAY in English 29 Apr 87 p 3

[Article by Ma. Victoria A. Gochoco-perez]

[Text] It looks like the Central Bank [CB] intends to raise the existing legally prescribed ceiling on the country's foreign borrowings to 30 percent from the present 20 percent of the country's foreign exchange receipts of the preceding year.

Sources told BUSINESS DAY such a move may be in the offing even as proposals have been submitted for the CB to limit what it considers "foreign exchange receipts" to pure and simple current account receipts in computing the legally prescribed debt service ratio.

In 1987, the CB effectively raised the legally prescribed ceiling on how much money the country can borrow from abroad by quietly expanding the coverage of "foreign exchange receipts" in computing the debt service ratio.

Under the Foreign Borrowing Act, or R.A. [Republic Act] 4860 issued September 1966 and further amendments to that law, the CB was to reduce the external debt service requirements to an annual level not exceeding 20 percent of the average of the foreign exchange receipts of the immediately preceding year.

The law's aim, clearly, is to ensure that the country's foreign borrowings do not exceed its capacity to pay.

However, because the law does not define "foreign exchange receipts," the CB in 1976 defined the term as including not only current account receipts but proceeds from foreign loans and other capital inflows.

(Current account transactions cover visible items of trade such as merchandise exports, re-exports and imports; and invisible items of trade such as tourism, banking, insurance, and transportation profits earned abroad, and interest.)

Sources said the CB definition of foreign exchange receipts defeats the intent of the law because the country should take steps to ensure that its borrowings are within the ratio and not "play around" with the denominators. "We must make sure that the ratio stays low," one said. "The previous government's statistics were so bad. And here we are using the same statistics."

The real measure of the country's ability to pay is its own capacity to generate foreign exchange and not her ability to borrow from abroad, the same sources said.

A country cannot continuously make foreign borrowings if its own capacity for earning is damaged or does not improve, they added.

By including foreign loan proceeds in what are considered foreign exchange receipts, the CB effectively "understates" the country's debt burden because the measure of ability to pay is made to depend partly on the ability to borrow from abroad.

Critics said the CB definition hinders the use of the debt service ratio as an "early warning indicator" because the ratios, based on the CB definition, may be below 20 percent but actually could be running to as high as 30 percent when based on more internationally accepted standards.

The result, the critics said, is that instead of the country borrowing only according to its ability to pay, the reverse is happening: the country is basing its ability to pay partly on its ability to borrow.

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CSO: 4200/556

EXTERNAL DEBT EXPECTED TO RISE BY 3 PERCENT

HK291313 Quezon City BUSINESS DAY in English 29 Apr 87 p 2

[Text] The country's external debt will increase by 3 percent to \$29.042 billion by the yearend from only \$28.256 as of December 1986 because new loans are expected to be disbursed in the next eight months, government sources told BUSINESS DAY yesterday.

These sources said, the increase in the country's foreign exchange liabilities is expected to grow to \$29.042 billion. New money disbursements to the country will amount to \$786 million.

The amount represents proceeds from a number of short- and medium-term loans as well as official money disbursements being processed at present and which government expects to come in before the end of the year, the sources said.

The sources added that one of government's main sources of funds is the International Monetary Fund (IMF) which officially fills in budgetary gaps of its member nations.

For this year, government has projected that the country will be able to draw down a total of \$193 million from the IMF's stand-by arrangement, the sources said.

The same sources also said government expects that the country's balance of payments (BOP) or the net money value of all exchanges and transfers of goods, services, capital loans, gold and foreign exchange reserves between the country and the rest of the world would be a lot less than this year's level.

According to statistics of the Central Bank [CB], a \$165 million BOP surplus is expected in 1988 and will increase to \$468 million in 1989. CB Governor Jose B. Fernandez Jr. had said earlier that government expects a whopping \$1.277 billion BOP surplus for this year.

The lower BOP expected by government for the next two years would result from increased imports within the period, the sources said, adding that there will be a sharp increase in the country's imports between 1987 to 1988 to support the rate of growth of the economy.

The increase in imports is most likely to exceed that of exports, they said.

The sources believe that net non-merchandise trade inflows are expected to decrease due to lower inflows from the Economic Support Fund provided by the U.S. Government and the generally increased interest payments for 1988 and 1989 as compared to this year's figures.

While government sources pointed out that BOP surplus for the next two years is needed to "support growth targets," industry sources said the sharp decrease in BOP is a result of the lifting of import restraints under the import liberalization program, and the lack of "new money."

Finance Secretary Jaime V. Ongpin has announced that the country will not ask for new money from creditor banks. Because of this, it is expected that the surplus in the country's international reserve would drastically drop.

Stating that government's forecast of a much lower BOP surplus is a signal of probable shortfalls in financing in the medium term, sources said the economy cannot afford the big disparities between imports and exports.

If the economy strengthens by 1988, even with the jump in imports during the period, they argued that the country would be in for a "lot more trouble in 1989" as financing gaps needing foreign exchange widen.

The same sources said the forecast of increased imports would be "acceptable" if they consisted mostly of raw-material and intermediate-material products which industries could use.

The sources believe the country would not be able to achieve targeted growth rate for the next six years if imports of luxury items will continue to rise at the present pace.

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CSO: 4200/556

SENATE CANDIDATES AIR VIEWS ON DEBT REPAYMENT

HK061419 Quezon City BUSINESS DAY in English 6 May 87 p 2

[Article by reporter Ma. Victoria Gocho-Perez]

[Text] Administration senatorial bet Aquilino Pimentel yesterday said the Philippines should call for a moratorium on all payments due creditors so that the money can be used internally for economic growth.

The former minister of local governments said that in the re-negotiation for a debt restructuring agreement with the creditor banks, the country might look into "deferment" of payment not only of the principal but also the interest owed the country's creditors.

"There is need for a moratorium on the totality of payments due creditors," he noted.

Opposition senatorial bet Homobono Adzaza said the country should "improve on the record of Brazil, Peru and Argentina" who have said "no" to their creditors and gotten away with it.

"We shouldn't subject ourselves to the continuing dictates of the IMF (International Monetary Fund)-World Bank. In the history of international financing, no country has collapsed for failure to pay," he said, citing the experience of England and Argentina who did not pay their creditors in the olden days and yet are still around. It is their creditors who have collapsed and "are nowhere to be found" today, he recalled.

Adaza stressed that only Filipinos should determine how the country's debt should be restructured and also the economic recovery program.

The opposition bet said that to attain real economic recovery, the country should "follow the example of the United States" where agencies that determine monetary and fiscal policy should be "different agencies and not only one as we now have." He also batted for limiting economic development programs "based on our own resources" and for "telling the IMF-World Bank" that the country alone should be able to determine its economic fate. Finally, Adaza said the Central Bank must be "used as an effective tool for economic development" which at present it is not.

Alberto Romulo, another administration senatorial bet, said that a renegotiation of the recent restructuring agreement reached with creditor banks "is certainly in order" to obtain "relief" from the heavy debt service burden the country must bear.

"Last year, we had only 51 percent left of our export revenues to fund our own production programs after servicing our debt," Romulo said. "And this year, only 58 percent will be left after we use up 42 percent to service our debt," Romulo noted.

However, Romulo disagreed with both Pimentel and Adaza who saw no need for new money from creditors. He said the country should "try to get new money" with the qualification that it be used only "if and when it is really needed in the development of the economy and not for any program just because we have a new money facility." He said that financing the country's infrastructure needs may require dependence on resources "beyond our own."

Pimentel and Adaza said the Philippines should stop further borrowings.

Adaza said use of "indigenous resources" is a must for the economic recovery program and Pimentel noted that the country must not continue borrowing merely to keep up with, for instance, the demands of the infrastructure development program. "It is better for government to be unable to deliver some of these than to keep people in (debt) bondage," he said. "If we keep on borrowing because we want to put in the infrastructure, in the short run we will fulfill people's expectations but in the long run we might have a bloody uprising on our hands," Pimentel noted.

All three candidates, however, were agreed that government should maintain openness on details of the country's foreign borrowings.

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INCREASE IN NET, DIRECT INVESTMENTS NOT EXPECTED

HK041231 Manila MANILA BULLETIN in English 4 May 87 p 25

[Article by Juanito C. Concepcion]

[Text] The government does not really expect net, direct foreign investments to increase substantially over the next six years, starting 1987, despite a projected 6.5 percent annual growth in gross national product (GNP) which indicates bullish prospects for the economy. This was gleaned from confidential Central Bank [CB] data made available to BUSINESS BULLETIN.

CB data showed that government projects a very modest average annual \$179 million direct foreign investments over the six-year period from 1987 to 1992, or a total of only \$1.974 billion at the end of the period.

For 1987, for instance, the government hopes to generate only \$142 million in net direct foreign investments.

This is expected to dip slightly to \$140 million in 1988 before picking up to \$155 million in 1989 and \$176 in 1990.

The level of foreign investments is expected to rise to \$210 million by 1991 and \$251 million by 1992.

CB data showed that the \$412 million foreign investments that the government expects to generate this year will be significantly better than the \$114 net direct foreign investments that were generated last year and the negative \$9 million registered in 1985.

A CB official could not say why the government projects only a modest increase in the level of direct foreign investments that the country hopes to generate in the next couple of years.

He admitted that the government's debt-to-equity conversion program might have some effect on the level of foreign investments, specifically the amount of fresh foreign exchange that the country will generate in the next few years.

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CSO: 4200/556

ENERGY BODY PROPOSAL 'UNDERGOING SOME REVISIONS'

HK271359 Quezon City BUSINESS DAY in English 27 Apr 87 p 3

[Text] The move to integrate pricing, supply and development of the country's energy resources under a single regulatory body, approved in principle by members of the Cabinet early this year, "is undergoing some revisions," government sources told BUSINESS DAY over the weekend.

Economic Planning Secretary Solita C. Monsod confirmed that a sub-cabinet committee is still studying the rationalization program of the energy sector but she was unsure of the details of the revisions.

Sources said the proposal to create a single regulatory body "could be delayed to the point that Congress would have to come into the picture" further delaying "firm signals to industries."

The "collegial body," which could be created by the President through an executive order, has to be in place at the earliest possible time to assure steady and correctly priced energy to industry, the sources said.

Last January, then deputy executive secretary for Energy Vicente T. Paterno told newsmen the Cabinet favored a proposal for the Board of Energy (BOE) to be the single regulatory body for the power sector, especially in the area of electricity pricing.

The same sources, said Paterno had recommended the proposal to the President and he had been made to understand then that the body would be commissioned by May.

"The proposal to create the collegial body is being revised," sources said. "The runs against former commitments by industry that electricity prices would be reviewed by this body to prevent overpricing."

Those in industry believe the approval to create a single regulatory body, and all of the implementing rules and regulations, should have been prioritized by government because "electricity is one of their major costs."

It would take more time if the Congress would have to pass on legislation to create this body, they said, to the detriment of industries which are extensive users.

He added that public hearings on the proposed rationalization of the energy sector "are enough" to determine a government action.

Paterno earlier said that with the creation of a central regulatory body which would control power rates, an energy finance committee would be attached to the regulatory body to determine financing policies for the power sector.

The finance committee would be composed of representatives of the National Electrification Administration (NEA), Meralco, the National Power Corporation (NPC), the Philippine National Oil Co (PNOC) and the national government.

Since this group "is the best informed," Paterno had said, it would come up with a list of investment priorities for the energy sector better than research groups of the National Economic and Development Authority (NEDA) and the Central Bank.

Industry sources said the best thing that could result from a single regulatory body is the availability of steady power supply.

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CSO: 4200/556

BUSINESS DAY REPORTS NATURAL RESOURCES REVAMP

HK111427 Quezon City BUSINESS DAY in English 11 May 87 p 14

[Text] A total of 16 government agencies, including the erstwhile Ministry of Energy, will be either abolished or renamed once the reorganization of the Department of Natural Resources (DNR) is implemented under Executive Order [EO] No. 131.

Signed last Jan 30, EO 131 renamed the NDR as the Department of Environment, Energy and Natural Resources (DEENR). It absorbed the Ministry of Energy, including three of its agencies, and three other agencies related to environmental protection.

The executive order has been released by Malacanang, sources at the department said. But "nobody would like to claim credit" for it following opposition against its implementation by officials of affected agencies.

Environment, Energy and Natural Resources Secretary Fulgencio Factoran said he has no official copy of the executive order. He said he received only a letter from Malacanang about the department's reorganization.

Apparently, Factoran does not want to implement the executive order since "some revisions could still be made." Some DEENR officials said the executive order has been in circulation for quite some time now.

The executive order abolished the Ministry of Energy but retained and transferred to the DEENR the Energy Utilization Bureau, Energy Development Bureau and the National Electrification Administration. The Philippine National Oil Corp and the National Power Corp were placed under the supervision and control of the Office of the President.

Another agency of the Ministry of Energy, the National Coal Authority was also merged with the Natural Resources Development Corp (NRDC). The National Development Corporation Plantation, Inc. was also absorbed by the NRDC.

The National Environmental Protection Council, National Pollution Control Commission and the Environmental Center of the Philippines were merged into Environmental Protection Bureau.

Ten other agencies of the natural resources department, including its major bureaus will be affected by the reorganization.

The Natural Resources Management Center, National Cartographic Authority and the Bureau of Coast and Geodetic Survey were consolidated into the National Mapping and Resources Information Authority.

The Bureau of Forest Development [BFD] and the Wood Industry Development Authority were merged into the Forest Management Bureau while the Forest Research Institute was transferred to the new Natural Resources Research Office.

The Bureau of Lands was renamed Land Management Bureau which will also absorb the relevant functions of the Human Settlements Regulatory Commission, excluding those related to highly urbanized lands.

The Bureau of Mines and Geo-sciences [BMG], Gold Mining Industry Development Board and the Mineral Reservations Board were combined into a Mines and Geo-sciences Bureau.

The DEENR central offices will be composed of five offices headed by under-secretaries. These offices are: Energy and environment; natural resources; field operations; legal and support services; and policy and planning.

Seven assistant secretaries for planning and project management; foreign-funded and special projects; Luzon field office, the Visayas field office; Mindanao field office; management services; and legal services will be appointed by the President.

On a regional basis, there will be 13 field offices of the DEENR which will be known as the Environment, Energy and Natural Resources Regional Offices (EENRRO).

The regional offices of the BFD, BMG and BL are integrated into the EENRRO which will be under the direct supervision and control of the undersecretary for field operations.

Each regional office will be headed by a regional director who will be assisted by four assistant regional directors for forestry, land management, mines and aquatic resources.

Natural resources related programs and projects such as the Calauit Game Preserve and Wildlife Sanctuary, Presidential Committee on the Conservation of Tamaraw, Ninoy Aquino Parks and Wildlife Center, shares in Kabuhayan Program, agro-forestry estate projects of the KKK [Kilusang Para sa Kabuhayan at Kaunlaran--Livelihood and Development Movement] Processing Authority, all national parks, wildlife sanctuaries and game preserves previously managed by the Ministry of Human Settlements, including national parks reservations in the provinces of Bulacan, Rizal, Laguna and Quezon, Magat Forest Reservation and Mt Arayat National Park will all be absorbed by the regional office.

EO 131 also revoked presidential issuances (presidential decrees, executive orders, letters of instructions, proclamations) and other issuances, contracts, concessions, permits or other forms of privileges for the exploration, exploitation, development or utilization of natural resources issued to a certain person or entity beyond the constitutional limit during the last 10 years.

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CS0: 4200/556

OIL EXPLORATION INCREASING IN 1987

HK080617 Hong Kong AFP in English 0134 GMT 8 May 87

[By Mynardo Macaraig]

[Text] Manila, May (AFP)--Oil exploration in the Philippines is increasing as overseas companies renew their interest in exploration contracts with local operators, a major local oil producer said.

Oriental Petroleum of the Philippines said that new wells were planned for central Luzon, the main island of the Philippines, and in the Sulu Sea. It is planned to review an offshore project near Palawan.

A spokesman for the privately-owned Oriental Petroleum, which is involved in all Filipino oil projects, described the Central Luzon project as "the country's hope for a major oil discovery."

Its forecast oil reserves of 500 million barrels, coupled with current oil production, would be enough to meet the Philippines' needs until the end of the century, he said.

Domestic output stood at 2.6 million barrels in 1986, or 7,000 barrels a day, far short of daily consumption of 173,000 barrels recorded for the first quarter of 1987.

Drilling is expected to begin on the first Central Luzon well later this year by a consortium of Philippine companies and the U.S.-based Conley and Associates, the spokesman said.

Conley has agreed to pay 90 percent of the 6 million dollar drilling costs, with the option to drill a second well.

Drilling is already underway on the Sulu Sea prospect by a Philippine-Australian consortium, previous exploration having detected gas, a sign of the presence of oil.

Rumours of an imminent oil strike there have triggered a rise in oil stocks on the local market.

At the Palawan offshore well, drilled in 1981 and plugged a year later after it was judged uneconomical to develop, new studies of the area have found that there may be more oil than previously thought.

The 1987 surge in oil exploration follows a year when not a single oil well was drilled, exploration being limited to seismic surveys and the re-evaluation of technical data.

Low world oil prices and the uncertain political and economic fortunes of the country made overseas investors reluctant to put their money into Philippine oil exploration, analysts said.

Exploratory drilling at the Central Luzon prospect had been ready to begin in 1985, but the shaky political situation preceding the fall of president Ferdinand Marcos prompted the South Korean partners of a Filipino consortium to pull out of the project.

As President Corazon Aquino has established a semblance of political stability, so investors have come back to oil.

The Central Luzon prospect covers much of Mrs Aquino's home province of Tarlac.

The last major burst of oil exploration in the Philippines was inspired by the high energy prices of the late 1970's, but only three major fields were developed and their output was not enough to satisfy domestic demand.

Most of the country's oil wells, which only started producing in the early 1980's, are expected to reach the end of their economic life by 1990, unless higher oil prices allow for the development of less economic reserves.

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CSO: 4200/556

SUGAR EXPORT EARNINGS RISE

HK061425 Quezon City BUSINESS DAY in English 6 May 87 p 2

["Economic Indicator" column: "Sugar Earnings up in One Month"]

[Excerpt] The country earned \$8.39 million from the export of sugar and sugar products in February, down 34.5 percent from \$12.80 million a year ago but 399.48 percent above \$1.68 million last month, data from the National Census & Statistics Office (NCSO) showed.

This figure corresponds to 37.44 million metric tons (MT) broken down into 37.20 million MT of sugar and honey and 235.543 MT of sugar confectionery and other preparations.

The relatively lower volume of shipments in January and February this year compared to yearago levels reflects the dismal state of the sugar industry following another drastic cut in the US sugar quota from 203,000 MT in 1986 to a mere 126,000 MT this year. This is a far cry from the basic sugar quota of at least 980,000 MT the US had traditionally allocated to the Philippines.

For years now, American demand for sugar has been dwindling due to the "sugar scare" campaign by pressure groups which has caused many to believe that sugar is a principal cause of overweight and obesity. As a result, the United States stepped up research on and development of substitute sweeteners and came up with Aspartame (which is 180 times sweeter than sucrose), Acesulfam-K (which is a non-calorific intensely sweet organic salt) and high fructose corn syrup (HFCS). Of the three, the HFCS is at present the closest competitor of sugar and is now substituted for sugar in soft drinks.

Thus, from a peak of six million metric tons of sugar imported by the US from various sugar-producing countries, the import requirement dropped to only 3.3 million tons in 1983, 3 million tons in 1984, 2.5 million tons in 1985 and just about 2 million tons in 1986.

The depleted American market for Philippine sugar resulted in reduced cane hectareage especially in Negros Occidental whose economy depended on just this crop.

Data from the Bureau of Agricultural Economics (RAECON) indicate that the total agricultural land utilized for sugar cane plantation has declined 12.57 percent to 355,945 hectares in crop year 1986 from 407,142 hectares in crop year 1985. Consequently, production of centrifugal sugar dropped 11.48 percent to 1.52 million MT from 1.72 million MT molasses, a by-product of sugar, likewise dropped 40.98 percent to 0.59 million MT from 1.01 million MT.

Of the total exports in 1986 amounting to 503.27 million MT valued at \$118.62 million, sugar and honey accounted for 87.55 percent or \$103.85 million while sugar confectionery and other preparations accounted for the remaining 12.4 percent or \$14.77 million.

On a monthly basis, export volume and earnings were highest last March with 75,265,860 MT valued at \$14.88 million. It was lowest in December with 10,216,836 MT valued at \$10.89 million.

/6662

CSO: 4200/356

# UNCERTAIN POWER SUPPLY MAY DAMPEN RECOVERY EFFORTS

HK271417 Quezon City BUSINESS DAY in English 27 Apr 87 p 8

[Text] Uncertainty of power supply in the next few years and increasing world prices for raw materials and intermediate products imported by domestic manufacturers are feared to have dampening effects on efforts toward economic recovery.

Rayl T. Concepcion, chairman and chief executive officer of Concepcion Industries, in a speech before the Philippine Institute of Certified Public Accountants over the weekend, said private sector concern over power supply is not without basis. He said power consumption has already reached 80 percent of the peak levels in 1983. Concepcion is chairman of the private sector task force on power scheduling.

Peakload record levels registered on March 13 and April 10 at 1,735 megawatts [MW] and 1,755 MW respectively, bring it close to the 1983 peak level of 1,800 MW.

"What alarms us in the task force," Concepcion said, "is that the 683 largest industrial users in the Luzon grid have forecast together with Meralco that the peak consumption is expected to register 1,855 MW which is higher than the peak level recorded in 1983, considered as the boom year for Philippine industry."

On the perceived danger that the economy may be "overheated" due to abnormal price increases and a return to a high inflation rate, Concepcion said he was optimistic the inflation rate and the price increases would remain at single-digit level.

He said he based his optimism on:

1. Plants are not yet operating at full capacity levels and the temporary shortages existing in some sectors will disappear as these plants increase production in the second quarter.
2. Despite the surge in LCS opened by domestic manufacturers for their raw material importations, the foreign exchange rate has remained stable, and in fact strengthened in the last 10 days.

3. The drop by around two percentage points in the interest yield on treasury bills over the last two weeks is a sign that the monetary authorities are not concerned about inflation and would like to see the economy grow rather than take a conservative posture by reducing the money supply through higher yields.

However, Concepcion admitted that while it appears "internally that the economic growth is on the right track, external factors beyond our control may bring about a dampening effect on the economy." He cited the upward trend in prices of raw materials and intermediate products imported by domestic industries.

Concepcion said there has not been only an increase in prices but in most instances the delivery lead time is longer than what it used to be. This is also a sign that production capacity levels of the industrialized world are reaching their maximum levels, he said.

Prices in the world market for copper tubing, chemicals, petroleum-based raw materials used by the plastics and resins industry have increased significantly, he said.

Concepcion, who's in the business of manufacturing refrigerators and airconditioners, cited as an example the supply constraints in refrigerator compressors. He said the supply situation is so tight that deliveries made today cannot be met until next year. [Sentence as published]

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CSO: 4200/556

RAIN FINALLY FALLS IN DROUGHT STRICKEN AREA

HK111457 Manila PHILIPPINE DAILY INQUIRER in English 11 May 87 p 9

[Text] Finally, rain has fallen on the long-parched farm of the country.

In its latest report on the rainfall situation, the department of agriculture said that, in region II, farmers have started land preparation and the planting of corn.

In Central Luzon, particularly in Cabanatuan City, the parched rice lands experienced heavy rains last April 12 and 13.

Pampanga and Bulacan provinces were reported to have rainfall intensities of 17 mm (millimeters) and 20.79 mm. From the following provinces: Albay 60.4 mm, Camarines Sur 116.99 mm., Catanduanes 19 mm., and Masbate 1.11 mm.

The rainfall distribution for the provinces under Regions VIII and IX was as follows: Leyte 35.1 mm., Northern Samar 4 mm., Western Samar 17.5 mm., Eastern Samar 70.6 mm., Biliran 20 mm., Zamboanga Norte 37.4 mm., Zamboanga City 33.9 mm., Sulu 42.8 mm., and Tawi-Tawi 250 mm.

Rains were also observed in Regions X and XII specifically in the provinces of Bukidnon, Misamis Oriental, Agusan Sur and Cotabato City.

However, severe dry spell is still felt in Mindanao, particularly in South Cotabato, Davao Sur, Lanao Sur and Lanao Norte where no rainfall has occurred.

Zero rainfall was also reported in Ilocos Sur. However, the drought situation in this province is normal and does not affect the crop condition.

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CSO: 4200/556

CONSUMER PRICES 'SLIGHTLY LOWER'; INFLATION RISES

HK081221 Quezon City BUSINESS DAY in English 8 May 87 p 2

[Text] Consumer prices were slightly lower last month by .11 percent. Food, beverages and tobacco were cheaper, but ready-made clothes, footwear, fuel, light, and water were a bit more expensive than they were last March.

National Census and Statistics Office [NCSO] figures on the April 1987 consumer price index (CPI) for all income households in the country by geographic area, showed that last month the CPI for the country was at 359.7 points. Metro Manila's was at 385.7 points and areas outside Metro Manila (AOMM) at 354.7 points.

The NCSO said it was the first time Metro Manila's CPI went down since July last year. But the decrease, by .08 percent, were minimal compared to those registered during the period last year when the CPI "plunged" by 1.74 percent in country-wide; 1 percent in Metro Manila; and 1.88 percent in AOMM.

At that time, the easing of commodity prices was more keenly felt because the government reduced fuel prices, resulting in substantial cuts in consumer prices in all areas.

"The big drop in the CPI in April last year greatly affected the year-on-year percent change during the current month," NCSO said.

Inflation figures were posted again in the country, a turnaround from the "consistent display of deflation rates," NCSO noted, as the country posted an inflation rate of .98 percent last month from the deflation rate of .66 percent in March. In AOMM, the inflation rate was a lower .17 percent from the area's deflation rate of 1.61 percent last month.

In the metropolis, the inflation rate continued to go up as it reached 3.01 percent last month from 4.04 percent in March.

The NCSO said the abundant supply of fresh fish, fruits and vegetables in almost all regions of the country caused price cuts in these items. It said rice was sold more cheaply and eggs went at big price discounts causing the food, beverages and tobacco index to slide in all areas: by .45 percent in the country; by .65 percent in the metropolis; and by .42 percent in AOMM.

However, the clothing index rose in all parts of the country because of the upswing in the prices of ready-made apparel and footwear in most regions. In the Philippines the index gained .37 percent and in AOMM, .33 percent. These figures were the highest positive changes observed among the different commodity group indices in the Philippines and AOMM, it was noted. In the metropolis, the index went up .45 percent.

The fuel, light and water index went up .34 percent in the Philippines, 1.01 percent in the metropolis, and .18 percent in the countryside. The NCSO said higher prices of chopped branches in some provinces and the increase in electricity rates in Metro Manila contributed to the growth in the group's index.

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CSO: 4200/556

## BRIEFS

**LOCAL ELECTIONS SET FOR 24 AUG**--Manila, April 20 KYODO--Elections for provincial, city and town officials in the Philippines' 75 provinces will be held on August 24, the presidential palace announced Monday. The last local polls were held in May 1980. At stake in the coming polls are 75 posts for governors, 60 for city and 1,547 town mayors. To be elected also are the vice governors, vice mayors and members of the city or municipal councils. President Corazon Aquino issued a proclamation setting the date of the polls which will also restore municipal and city councils for the 13 towns and four cities abolished with the creation of the metropolitan Manila Commission in 1975. The new Philippine Constitution, which fixed May 11 as the first elections in 15 years for the Senate and House of Representatives, authorizes Aquino to set the date for the local polls. Aquino replaced most of the incumbent local officials a month after she took power in a civilian-backed military revolt that toppled the 20-year rule of strongman Ferdinand Marcos in February last year. [Text] [Tokyo KYODO in English 1051 GMT 20 Apr 87 OW] /6662

**JAPANESE LOAN**--Japan has approved a \$300 million loan to the Philippines. Finance Secretary Jaime Ongpin said the loan will match a \$300 million economic recovery loan approved by the World Bank in March. He said Deputy Finance Minister Ernest Leung was discussing the loan [words indistinct] with bank officials, adding that the loan would carry an interest rate of 5.5 percent. Ongpin said that Japanese Finance Minister Kiichi Miyazawa had expressed satisfaction at the Philippines' recent rescheduling of (\$10.3) billion in foreign debt. Ongpin said he also discussed the 14th yen aid package from the Overseas Economic Cooperation Fund. He said the Japanese Government is expected to respond favorably to a Philippine request to raise the aid level to between 75 and 80 billion yen. [Text] [Manila Far East Broadcasting Company in English 2300 GMT 26 Apr 87 HK] /6662

**OCAMPO: AQUINO IN U.S. 'CLUTCHES'**--National Democratic Front [NDF] spokesman Satur Ocampo has accused President Aquino of having "fully integrated herself into the bourgeois political system as well as having fallen into the clutches of the Americans." Interviewed by reporters somewhere in Laguna Saturday, Ocampo also noted that Mrs Aquino has lately become silent again on the issue of land reform. He conceded, however, that Mrs Aquino has remained popular but credited this to Filipino patience. He predicted that Aquino supporters will be disillusioned in time. In the same interview, Ocampo also reacted to a CHRONICLE report from Libya quoting NDF international representative Luis

Jalandoni as saying the NDF was eyeing an exchange of prisoners of war between the NDF and the military. Ocampo said the scheme would "humanize the war."  
[Text] [Manila THE MANILA CHRONICLE in English 27 Apr 87 p 3 HK] /6662

**NORWAY HYDROPOWER PLANT LOAN**—The Norwegian Government has granted a loan equivalent to \$2.5 million for the construction of a hydropower-generating plant in Bohol. The grant was approved following studies by Norconsult, one of the world's largest consulting firms, identifying the Loboc River near Janopol in Bohol as viable for development using the minihydro scheme. Norway earlier also granted \$5.5 million for the financing of the electromechanical equipment and consulting services for the project. The Asian Development Bank also approved a loan of \$3.08 million to finance the cost of civil works. The engineering design for the project has been completed and the electromechanical equipment is now available. Delay in project implementation has been due to a shortage in Philippine counterpart funds. However, with the new Norwegian grant a major part of the required local counterpart funds will be covered. Norway will additionally cover additional costs required for completion of provisions of goods and services funded under the original grant, estimated at \$0.46 million. The National Electrification Administration will act as the executing agency for the project and the Bohol Electric Co I electrical cooperative in Bohol will be the operator of the hydropower facility and distributor of electricity. [Text] [Quezon City BUSINESS DAY in English 27 Apr 87 p 8 HK] /6662

**FRG GRANT TO COTTON FARMERS**—The Federal Republic of Germany has extended a financial grant of two million Deutschemarks (about P11 million) to cotton farmers to increase cotton production under the Philippine-German cotton project. Patricio Lim, president of the Philippine Cotton Corp., said the government is to provide counterpart funds of P4 million. The German grant will be given directly to the Cotton Farmers Association (CFA) or cooperative to strengthen their financial capabilities and encourage the formation of more cotton cooperatives. Agriculture Secretary Carlos Dominguez yesterday distributed P100,000 each to six of the 12 cotton farmers associations in simple rites at his office in Quezon city. The remaining 12 active cotton farmers associations will receive their financial grants at the end of this month, Dominguez said. This grant is to increase the CFA capital buildup so that they may service better the production requirements of their members, he said. In turn, the CFAs would attain self-reliance through an integrated business enterprise initially in cotton and eventually in other primary crops. Under the guidelines, the farmers associations should ensure that the grant be used only to finance directly selected farmers members. [Text] [Quezon City BUSINESS DAY in English 28 Apr 87 p 3 HK] /6662

**NPA OFFERS PRISONER SWAP**—Manila, May 1 KYODO—A provincial command of communist-led rebels said Friday they are willing to release a captured military officer in exchange for the freedom of two political prisoners in a northern Philippine province. In central Philippines, a local chapter of the rebel coalition National Democratic Front (NDF) announced that New People's Army (NPA) guerrillas will launch operations against political warlords and armed vigilantes to ensure orderly congressional elections on May 11. It also warned of attacks against local government officials supporting anticommunist

vigilantes. The NPA in Ilocos Norte Province said they would release Cpl. Mamerto Dugay if authorities would swap him for two detained residents in Dummalneg Town identified as Marlaylay Daribugen and Sarex Bitanga. The offer of prisoner-swap came six days after the NDF's international representative, former Jesuit priest Luis Jalandoni, said in Tripoli, Libya that they are ready to adopt a policy of exchanging captured military men for rebel detainees. Jalandoni, who was attending an international conference of revolutionary movements, however, said the NPA would not engage in kidnapping. The NPA, the military wing of the banned Communist Party of the Philippines, is one of the 13 underground revolutionary organizations under the wing of the NDF. [Text] [Tokyo KYODO in English 0620 GMT 1 May 87 OW] /6662

**MUSLIM CLERGY AUTONOMY AGREEMENT**—Muslim priests or Ulama will support the government's proposal to hold a referendum on the granting of autonomy to Mindanao. Colonel Honesto Isleta, Armed Forces of the Philippines spokesman, said based on reports they have received from Mindanao, it was said that the Ulamas met with MNLF chairman Nur Nisuari last week and expressed their support for the implementation of the Tripoli Agreement. The Ulamas said that they will consent to the autonomy proposal if it will be done through a democratic process. [Text] [Quezon City Radyo ng Bayan in Tagalog 0330 GMT 5 May 87 HK] /6662

**GOVT, MNLF DISAGREE ON REFERENDUM**—The government and MNLF panels are still not agreed on the measures for granting autonomy in Mindanao. The government panels wants to hold a plebiscite in order to know the decision of the citizens who will be affected by the autonomy, but the MNLF is asking for President Aquino's proclamation on the issue. Emmanuel Pelaez said that the two regions created by former president Marcos in Mindanao will remain. [Text] [Quezon City Radyo ng Bayan in Tagalog 0330 GMT 7 May 87 HK] /6662

**AQUINO ASSURES RESIDENTS OF LANDS**—The president assured Taguig residents that they will have the lands apportioned to them under Proclamation No 2475. According to the president, Taguig residents will receive the lands after the provisions on land allocation are signed. The president made the announcement at the grand rally for the administration's Taguig congressional candidates in the vicinity of the food terminal. [Text] [Quezon City Radyo ng Bayan in Tagalog 0330 GMT 7 May 87 HK] /6662

**NATIONAL BANK PROFIT**—Philippine National Bank [PNB] expects to realize about 500 million pesos in profits this year. This is roughly six times more than its earlier projection of 85 million pesos. PNB president Edgardo Espiritu said the bank's performance last month indicated that monthly profits can average 50 million pesos for the rest of the year. During the first quarter, the PNB reported 58 million pesos in net profits. [Text] [Quezon City Sports Radio 738 in English 0900 GMT 8 May 87 HK] /6662

**PORTS FACE-LIFT FUNDING**—The World Bank is expected to approve some 13 million dollars in loans for the rehabilitation and development of Philippine provincial and secondary ports. This was stated by Philippine Ports Authority general manager Primitivo Solis who had just arrived from the United States as

head of a three man delegation which conducted formal negotiations for the loan package. The Philippines [words indistinct] in the loan in 30 percent of the total package. This is, at least 9 million dollars. [Text] [Quezon City Sports Radio 738 in English 0900 GMT 9 May 87 HK] /6662

U.S. MEDICAL AID TO AFP—Deliveries of medical equipment and supplies from the United States to the Armed Forces of the Philippines (AFP) to date total \$6.04 million, including \$1.2 million in transportation costs, out of a \$10-million package pledged by President Ronald Reagan to President Aquino in Washington last September. The delivery of a similar \$10-million package for the civilian sector in the Philippines, pledged on the same occasion, has been completed. Of the \$10-million program for the military, deliveries have so far totaled seven shipments. The latest shipment, offloaded at Subic and delivered to the AFP in recent weeks, is valued at \$2.57 million including \$159,398 in transportation costs. It included four ambulances for metropolitan use, 10 "cracker-box" type (M886) tactical ambulances for field use, medicine such as antibiotics and anti-TB drugs, first aid kits, dressings, and training supplies, including mannequins for cardiopulmonary resuscitation. A listing of additional medical equipment and supplies from U.S. Army, Navy and Air Force headquarters has been received by the AFP for its approval. The list will then be forwarded to the U.S. Department of Defense in the near future for further shipments. The balance of shipments is expected to arrive in the Philippines by August. [Text] [Quezon City BUSINESS DAY in English 11 May 87 p 18 HK] /6662

CSO: 4200/556

**SURACHAT BAMRUNSUK: THAI-U.S. MILITARY LINK TO ENDURE**

Bangkok MATICHON SUT SAPDA in Thai 22-Mar 87 pp 26-27

[Special Report by Surachat Bamrunsuk: "Thai-U.S. After the Vietnam War, Joint Security Relations"]

[Excerpts] Remarks of the author: this article is written in remembrance of the anniversary of the withdrawal of the U.S. military from Thailand in March 1976. It can be seen that after 1976, the security relationship between the two countries has developed as described in this article.

**Assistance Budget for Fiscal Year 1988**

For the new fiscal year (that is from October 1987 through September 1988) the Parliament will cut the budget giving military assistance to its U.S. ally which will cut military assistance to Thailand also. While Thai leaders are worried about this budget cut, the situation should not be worrisome because the Thai budget cut will be in Foreign Military Sales projects in particular for which, in fiscal year 1987, Thailand received 97.5 million. But in fiscal year 1988, it will be reduced to only \$10 million. Money for MAP [Mutual Assignment Program] projects which used to amount to 5 million per year, will now amount to \$50 million; this is free money. This increase in free money will help reduce financial obligations incurred in buying weapons with loans as in past fiscal years.

The statement requesting a budget for 1988 seems to be the first time it was clearly stated that the military assistance Thailand receives from the United States is insufficient for the development of the military according to plan. It says that the insufficiency of the assistance caused the United States to admit that Thailand must depend on "other countries" for military assistance in addition to the United States in developing the military. This means that the United States announced that Thailand ultimately will have to depend on Chinese military assistance.

**Conclusion**

The assistance the United States grants to Thailand shows United States allies that it does not neglect "old friends" who are facing invasion. Although the United States might not be able to (not want to) be obligated to Thailand as

in the old days, the new United States overtures make Thai leaders feel a lot safer. The establishment of weapons depots is a good example of this; either it shows that the United States is not a superpower which will neglect Southeast Asia or it is a guarantee that the Vietnam "mentality" has passed.

Besides that, the geographic location of Thailand is still important to the United States because the political situation in the Philippines is not stable; this affects the use of U.S. military bases in the Philippines. Thus, if it is necessary for the United States to withdraw from the Philippines, some of the reserve spots which can fill in such situation would be the old U.S. bases in Thailand. Therefore, the chances that the United States will neglect the importance of the political and geographic situation of Thailand in this matter is impossible (although U.S. leaders reiterate that the United States has no policy regarding opening bases in Thailand).

The U.S. obligation to Thailand is an important index showing U.S. policy toward this region. No matter what benefits the United States receives from the relationship with Thailand, Thai leaders believe that Thailand receives fewer benefits from the relationship. At least this relationship makes Thai leaders feel more confident in handling foreign policy, especially concerning the problem of Vietnam. It is believed that if there is an emergency situation, Thailand will not be abandoned to face the invasion alone without support from "old friends" or to depend totally on "new friends." No matter what new friends Thailand has, the United States still will be the ally Thailand can trust the most.

Chawalit Yongchaiyut made a statement at the opening of the 11th Pacific Armies Management Seminar this past December at the Dusit Thani Hotel: "The Royal Thai Army and the United States have been allies in war for a long time. It will continue so; although on some occasions there are conflicts of interest, our relationship is still firm. There are different activities and coordination in the military arena which are of enormous benefit to the Royal Thai Army and Thailand."

13217/12951  
CSO: 4207/171

## SUPREME COMMAND SPOKESMAN FLAILS MEDIA ON ANTI-ARMY STANCE

Bangkok THAI RAT in Thai 19 Mar 87 pp 1, 20

[Excerpts] Lt Gen Wichit Bunyanat, director of the Information Office, Office of the Supreme Commander, implored the media before the joint press conference at the Office of the Supreme Commander yesterday (18 March) in building 604, Sanaam Syypha, that every member of the media report the truth and consider the good and bad affects on the country. News is always news, but news which may have bad results for the country must be reported carefully. Things which the reader cannot see anything in should not be reported.

The director of the Information Office also said that the military is a national institution with a long history. It is the mainstay in the defense of independence and sovereignty which allow the nation to live peacefully. The main responsibility of the military, from past to present, is to protect the kingdom, the safety of the nation, religion, the monarchy, as well as the benefits of the nation. As long as the military institution is strong, is unified, is mutually supportive, and has confidence in the supreme commander, the enemy will not be able to fracture the institution. The opposition is itself aware of this strong point, therefore, it tries to cause people to misunderstand that the military has different ideas from the majority of the people in the country. In a democratic system, every Thai can express his opinion freely. A soldier is also a citizen, therefore, when a soldier thinks or speaks, his ideas may be different from those in other groups. If the media, whose duty is to report news to the people, report the ideas sincerely, without criticism which might create misunderstanding among the people, it is considered that they have fulfilled their duty.

Lieutenant General Wichit also said that some in the media are prejudiced and try to find fault with the performance of the military and report prejudicial ideas and untruths to the people. Given the lack of coordination among groups of people, this will expand misunderstanding between the military and the people. In the end, the ones who receive the benefit of this are the ones who do not desire good for the nation and want to overthrow the democratic system with the king as ruler, this is something we do not desire. At present, some media use normal incidents to make news to "sell newspapers" and to oppress persons in the military. Besides damaging their reputations, soldiers in the military might not be confident in the supreme commander which would create inefficiency in their work. In our history, we lost the capital twice not because the Thai were not capable or were cowards, but because we were not unified.

COLUMNIST WANTS BETTER ECONOMIC RELATIONS WITH INDOCHINA

Bangkok THAI RAT in Thai 8 Mar 87 p 9

[Excerpts] Cross the Kong; Complete series by Khos Khiaw ("Blade of the Sickle")

It is certain that if nothing else happens, the commander in chief of the Royal Thai Army will cross the Kong to talk with the brothers in Vientiane.

It is a good omen in terms of the economy because the northeast has been quiet for a long time due to the discontinuation of business with Laos, which is the main source of revenue.

The war situation made the countries, which were like brother and sister, turn away from each other for a long time although they met a merit-making fairs at Phnom Pagoda just to continue temporary relations.

But economic relations were considered severed without any connecting strands left because cross-border trading was closed.

At present, in the world trade war, Thailand is surrounded by trading nations which are becoming competitors.

Military allies have become economic enemies; this causes people to ask Thai leaders to review our status and concentrate on trade rather than be too serious about war.

We have finished fighting the war, but we are still in a cold war.

Any country which is good at trade is wealth. It has bargaining power in the high society of international nations and has the national resources to build more than enough war-making power.

Due to political and military reasons, we have shipped our products to other parts of the world for sale.

It has been seen clearly that, during this period, the socialist countries which are the enemies of Thailand are changing their roles.

An interesting fact is that the Japanese have already rushed to discuss establishing a Japanese trading office in Hanoi.

The Japanese got a concession to drill for oil in the Kong River and a concession to industrialize the export of seafood from Vietnam abroad to compete against Thailand.

A source from the Ministry of Commerce revealed that the Vietnamese commercial attache in Thailand has been changed from the old soldier to one who can speak Thai fluently. He has started to approach Thai businessmen to invest in Vietnam.

Vietnam needs to build factories as part of the early stage of industrial development, but the Vietnamese base is not ready to receive high technology or machinery from countries such as Russia or Japan who would help them establish themselves.

What Vietnam wants is small-to medium-size industrial factories which would use the country's natural resources as raw materials; labor-intensive factories and not modern, automated systems.

Thailand has many of this type of factories for sale because they are the earlier batch which Thailand bought from Taiwan and Korea to use in the early stages of industrial development 10 years ago. Right now, they are shut down and idle.

For example, a nail and brush factory, located on Radchaburanaa Road, Thonburi, would meet the desires of the Vietnamese. If dismantled for sale, it would make a lot of money.

The trip of the commander-in-chief of the Royal Thai Army across the Kong, as the representative of the government following the economic representatives, should result in good in terms of opening and expanding cross-border trade including Laos, currently under the control of Vietnam, as well as direct trade with Vietnam itself.

There are still hundreds of items which are prohibited for sale because they are considered essential goods, even monosodium glutamate which Thailand can produce in abundance; it was considered as a blood-clotting medicinal agent in field hospitals. This makes the Japanese smile and gently bow as they open the monosodium glutamate factory in Laos; they are skillful.

Thailand should sell like mad, everything up front, to Laos and Vietnam to bring money into the country first. When the nation has money, any budget will easily pass Parliament.

There will not be a problem concerning who cuts whose budget.

13217/12951  
CSO: 4207/171

## USSR POSTHUMOUSLY AWARDS VIETNAMESE FIGHTERS

OW081722 Hanoi VNA in English 1506 GMT 8 May 87

[Text] Hanoi, 8 May (VNA)—Five Vietnamese internationalist fighters who laid their lives in the Soviet people's great patriotic war have been posthumously awarded the order of the patriotic war, the medal of 40 years of victory over fascism and the badge of Soviet veteran by the USSR Supreme Soviet.

These Vietnamese internationalists were Vuong Thuc Binh, Ly Thuc Chat, Ly Nam Thanh, Ly An Tao and Ly Phu San.

The conferment ceremony was held here today by the Vietnam-USSR Friendship Association in the presence of Nguyen Vinh, president of the Vietnam-USSR Friendship Association, Nguyen Thi Binh, member of the Presidium of the Committee for Solidarity and Friendship With Other Peoples; Trinh Ngoc Thai, deputy head of the CPV Central Committee's International Department, Vu Xuan Ang, deputy foreign minister, and others. Soviet Ambassador Dimitriy Kachin and other members of the Soviet Embassy were also present.

Taking the floor, Nguyen Vinh said: "The Vietnamese Communists and people have always considered the defence of the Soviet Union and the gains of the October Revolution their noble international duty." He brought out the most vivid manifestations of the time-honoured tradition of Vietnamese-Soviet internationalist sentiments including the brave action of Vietnamese sailor Ton Duc Thang (who later became president of the Socialist Republic of Vietnam) to hoist the red flag on board a French warship in the Black Sea mutiny in support of Soviet Russia in 1917 and the courageous spirit of Vuong Thuc Binh, Ly Thuc Chat, Ly Nam Thanh, Ly An Tao and Ly Phu San in the great patriotic war of the Soviet people during the Second World War.

Nguyen Sinh Tho, a relative of the late fighter Ly Nam Thanh expressed sincere gratitude to the Soviet party and state for their high distinctions conferred on Vietnamese internationalist fighters and considered the awards a great honour for the entire Vietnamese people.

Ambassador Dimitriy Kachin addressed the meeting and proposed a minute of silence in memory of the five martyrs.

/9604

CSO: 4200/553

## DEMOCRATIC PARTY STUDIES CPV CONGRESS, PLENUM RESOLUTIONS

BK101120 Hanoi Domestic Service in Vietnamese 0500 GMT 6 May 87

[Text] During 25-30 April, the Vietnam Democratic Party Central Committee held an enlarged conference to study and firmly grasp resolutions of the Sixth CPV Congress and the party Central Committee Second Plenum, sixth term, on distribution and circulation of goods; review the 1986 tasks of the Democratic Party, and discuss orientations and tasks for 1987.

Under the beacon of the Sixth CPV Congress resolution, the conference discussed in details the internal and international situations, reviewed the implementation of the Sixth CPV Congress resolution and tasks of the Democratic Party in 1986.

The conference expressed an identity of views with the Political Report and resolution of the Sixth CPV Congress. Those attending the conference acquired a profound understanding of the nation's situations in all fields during the past 5 years, especially the socioeconomic situation. They understood the favorable and difficult conditions, noted achievements and strong points as well as shortcomings and errors in socioeconomic management.

The conference welcomed the party leadership's exemplary attitude of self-criticism and criticism, expressed total support to the CPV policy on renovation of thinking, work-style, and organizational and cadre-related tasks.

The conference welcomed the CPV's decisive measures for ideological and organizational issues aimed at purifying and strengthening the revolutionary contingent, enhancing the effectiveness of party leadership and the management of the socialist state. The conference also supported important objectives and major national policies aimed at improving the nation's situation and leading the people to surge forward to overcome difficulties and ordeals in the initial stage of the transition to socialism.

The conference decided to mobilize all cadres and members of the Vietnam Democratic Party to strive to study and firmly grasp the Sixth CPV Congress resolution, develop all their capabilities, and together with the people strive to triumphantly implement the party resolutions, thereby contributing to fulfilling targets set forth by the CPV Congress, especially the three major economic programs.

/9604

CSO: 4200/553

## PROMOTION OF NON-PARTY MEMBERS ADVOCATED

Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 1 Apr 87 p 1

["Speak Frankly, Speak the Truth" column by Duc Kon, Theatrical Art School 2:  
"Promoting Individuals Outside the Party to Leadership Work"]

[Text] In our country under certain historic circumstances, for one specific interest or another, there are individuals who are not communist party members who also have heavy responsibilities. There are also cases in which they must sit in positions of leadership. However, this is not an open policy. There are also no documents stating that those outside the party cannot be promoted to leadership work. In reality however, when someone is to be promoted to a leadership position, not a few agencies and organizers anxiously inquire whether the individual has become a party member. If not, the individual, no matter how qualified, must be reexamined. Simply because they lack a party card, for one reason or another, not a few individuals, despite full leadership qualifications, are ignored! It is also difficult to understand where this manner of treatment distinction originated: "The rank of commander is probably reserved for those within the party while outstanding individuals outside the party are only made 'deputies.'"

The ideal is that a leader will have both the full qualities of a party member and also be superior in ability. Actually, it is not on one hand that an individual with leadership ability is also a party member, or on the other hand that a party member is also an individual with leadership ability. Conversely, it was once commonly thought that the majority of party members were individuals of substandard ability.

However, one had to enter the party in order to "serve as an official." Thus, much truly tiresome cultivation of abilities had to be expended along with adept "intrigue" to enter the party before one could acquire position and authority. Not a few opportunists, lazy individuals and even those who were ignorant and stingy found every means to slip into the party. When these insects slip into the party and rise to leadership positions, they usually become a formidable obstacle to those with true ethics and abilities. They are prepared to find every means, to take advantage of every loophole, and to apply every "position and viewpoint" to first of all block capable individuals from entering the party.

It is not that every skilled individual has leadership ability or wants to lead. Everyone understands that it is not only through leadership that contributions are made. However, when those with true leadership qualities and abilities are for some vague reason not permitted to enter the party and therefore are not promoted for use in a rational and proper manner, it must be considered as illogical and an overall loss preventing the "leadership of the party from reaching the level of the mission."

Enter the party to "serve as an official." If a society truly encourages and properly treats the professional abilities of those directly creating the spiritual and material wealth of society, without exceeding the preferential treatment given those "serving as officials," not every professional would want to become a leader. Unfortunately, because truly creative professional labor is both hard and "unrewarding," disdained, and unprosperous, not a few skilled professionals are shifting toward the "official" road at the present time.

In other words, if a shift could be made to a specific and open policy for the promotion of individuals outside the party to leadership work (naturally administrative leadership but anywhere and at any level, including the leadership of the party), surely not only would social democracy, respect for the rights of citizens and the relationship between the party and the masses be improved but "gray matter," work results and production strength would be more thoroughly exploited, and at the same time, the door to the party would be relieved of further crowding and confusion with only voluntary contributors and upright and nonmercenary individuals entering the party.

The achievement of this method of promotion is in itself a specific expression of thought, organization and cadre renovation.

7300

CSO: 4209/428

## PARTY LEADERS URGED TO HEED PUBLIC SUGGESTIONS

Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 1 Apr 87 p 4

[Article by Chau Ai: "Students Have To Learn"]

[Text] While the Sixth Party Congress and the party congresses at all levels were highly evaluating the constructive voices of the people and considering them a great source of intelligence, and while all echelons from the Central Committee to low-level party committees are continuing to encourage the people to contribute opinions and to suggest plans to gradually and successfully implement the Resolution of the Sixth Party Congress, some people have offered the opinion that, "The party is leading but the people have continued to contribute one opinion after another. Isn't this teaching the party?" This idea in our opinion is infrequent but has caused us to read again the advice of Marx, Engels, Lenin and President Ho on the relationship between the party and the masses. Reading "to the end of these books," it is seen that the party founders all emphasized one important fact, that "the communist party leads the masses but is simultaneously a pupil of the masses." Uncle Ho also stated that, "Cadres and party members are servants of the people and must listen to the opinions of the people and study the people from the statements they make to their daily work." This is extremely clear. The people contribute to the party and make suggestions to the party but no one ever beats his chest about "teaching the party." Moreover, if the party wishes to lead the masses, it must be a student of the masses. As a student, it must study. If it does not study, shortcomings and mistakes will easily occur. On 30 March 1987, while meeting with and talking to the voters in Hanoi, General Secretary Nguyen Van Linh once again substantiated the great lesson of "using the people as the supporting base." He said, "As the leading party, the party has great responsibilities. However, there is not only the party but also the people. It is necessary to resolutely use the people as the supporting base. It is the leading party but must listen to the opinions of the people to formulate line, policy, organization and cadre deployment." The General Secretary emphasized, "No one has the right to place himself above the people. The strength and intelligence of the people of every generation and time are the same, great and extremely powerful. Today, the role of the people is increasingly extremely important. Therefore, each time the profound scholars and great brains of mankind discuss the strength of the people, they all use extremely respectful and considerate words. Remembering that the party is the leader and at the same time a student of the masses during the time in which the entire nation is gradually and actively implementing the Resolution of the Sixth Party Congress, and advancing toward the civil agency elections and the campaign to purify the party while commemorating President Ho's birthday, in our opinion is extremely beneficial.

## BRIEFS

MEETING ON AFGHANISTAN—A get-together was held in Hanoi on 27 April by the Vietnam Committee for Solidarity With Foreign Countries, the Vietnam Committee for Solidarity with Afro-Asian Peoples, and the Vietnam-Afghanistan Friendship Association to talk about Afghanistan on the occasion of the 9th anniversary of that country's April revolution. Addressing the meeting, Comrade Mohammad Faruq Karmand, Afghan ambassador to Vietnam, reviewed the past struggle of the Afghan people that led to the 27 April 1978 uprising, the overthrow of the feudal regime, and the establishment of the administration of the worker-peasant class. He stressed the Afghan people's determination to defend the gains of the April revolution and sincerely thanked the Soviet people, the peoples of other socialist countries, and progressives in the world for their wholehearted support and assistance to the Afghan people's just cause. He expressed the desire of the Afghan party, state, and people to constantly consolidate friendship and cooperation with the Vietnamese people. He was very pleased with the fine relationship between the two countries, which is developing with every passing day.

[Summary] [Hanoi Domestic Service in Vietnamese 1430 GMT 27 Apr 87] /9604

CSO: 4200/550

## TUY HA PETRO-CHEMICAL REFINERY CONSTRUCTION BEGINS

Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 13 Mar 87 p 1

[Unattributed article: "Preparations To Begin Construction of Petro-Chemical Refinery with Annual Output of 6 Million Tons"]

[Text] Construction units at the site to build the 6-million ton per year Tuy Ha Petro-Chemical Industrial Area in Long Thanh District of Dong Nai Province are presently constructing several subsidiary projects consisting of housing, a concrete production station, a concrete mortar station, a construction vehicle and machinery repair shop, a carpentry shop, a warehouse area and various communications routes.

The Tuy Ha Petro-Chemical Refinery is being constructed in a region of high hills over a combined area of 3,500 hectares. The location is favorable for sources of water, level ground and water transportation, and is near the crude oil source and distribution center. According to design estimates, the refinery will have an annual output of 6 million tons with construction divided into two stages, the first stage a refinery with an annual output of 3 million tons.

This is one of the major priority projects of the entire country being assisted in construction and totally supplied with machinery by the Soviet Union. Participating in construction of the oil and gas processing area are many units from the construction, communications and transportation, energy, and oil and gas sectors, and local forces from Dong Nai Province and Ho Chi Minh City.

7300

CSO: 4209/419

## KEY SOCIOECONOMIC TASKS FACING HO CHI MINH CITY DISCUSSED

Hanoi NHAN DAN in Vietnamese 18 Mar 87 p 2

[Article by Nguyen Kien Phuoc: "Ho Chi Minh City in 1987, Four Major Questions: What Will Be Done To Accelerate the Expansion of Consumer Goods? What Will Be Done Produce Many Export Products? What Will Be Done To Overcome the State Subsidies Mechanism Concerning Prices, Wages, and Currency? What Will Be Done To Create Jobs for Laborers and Improve Housing and the Environment?"]

[Text] Recently, Phan Van Khai, a member of the CPV Central Committee and the chairman of the Ho Chi Minh City People's Committee, met and talked with a team of NHAN DAN reporters assigned to the city. He talked about the immediate socioeconomic tasks facing the party organization, departments, and sectors and said that these are the pressing problems of 1987. Efforts must be concentrated on solving these problems in order to implement the resolutions of the Sixth Party Congress and the Fourth Congress of the Municipal Party Organization.

**The No 1 Program: Accelerate the Production of Consumer Goods**

Our economy presently faces a serious contradiction: The increased supply of money has increased purchasing power quickly, but the amount of consumer goods available has not increased accordingly. Little of the money that has been injected into society has been recovered. Thus, much money is floating about and circulating among the people outside the control of the banks. Naturally, some of this money has been attracted to production. But most of it has been put to work in the marketing sphere and so it is not creating new value. The basic point is that to put an end to price increases and gradually lower prices, there must be large quantities of goods and the state must control commodities. Thus, an effort must be made to expand consumer goods. The Sixth Party Congress was completely correct in regarding this as a strategic economic program. The important question is how to accelerate the production of tens of thousands of different types of goods, particularly commonly used goods.

The production capacity of Ho Chi Minh City, an important economic center, accounts for more than 30 percent of the entire country's output of consumer goods. Besides the state enterprises (of the central echelon and city) and the

various socialist economic forms, in which the state can and must manage the commodity products, if the city makes good use of the policies and levers, particularly the price and investment policies, it can bring about a powerful expansion, attract many goods from other economic elements, and create a large commodity fund in order to ensure the supply of goods to satisfy the consumer needs of the more than 4 million people living in the city and contribute actively to the country's equilibrium. To do this, beginning in 1987, the central echelon must concentrate investments on raw materials, materials, fuel, and energy for the city and overcome uneven supply and dispersed investments. For a long time now, the city has balanced only about 40-50 percent of the needs and production capacity. It has had to let out work on contract to places, which has led to passivity and confusion in the city.

The important guiding idea of the city is to make an effort to balance things itself. But how?

First of all, exports must be stepped up in order to have capital to import goods to satisfy the needs of production. This year, the city has decided to reserve several tens of millions of dong in foreign currency to import raw materials, materials, and new equipment and turn these over to the sectors that can produce many export goods and recover the capital quickly. The city will not scatter its investments but will make investments based on the economic results.

Second, the city has proposed that the central echelon allow it to borrow money abroad in order to implement the consumer goods program.

Third, overseas Vietnamese must be encouraged to turn gifts into raw materials, materials, and production equipment. The city has discussed implementing measures to reduce or defer taxes (depending on the type of good) with the customs sectors. In the near future, a provisional regulation will be promulgated on this matter. By doing this, the city will have additional capabilities for promoting production.

Fourth, the city has proposed that the central echelon implement a suitable policy on overseas remittances (including both methods and rates of exchange). This, too, will create great potential for the city's expansion of the consumer goods industry.

The formula for implementing this is to concentrate on valuable types of consumer goods and major sources of income. We must also concentrate on production that generates profits and a higher and higher real income. We must maintain the process of reproduction and modernize the plants and equipment.

In 1987, the city will continue to perfect the policies on the production installations in accord with resolutions 34 and 192 of the Municipal People's Committee. It will promulgate provisional regulations to implement (Draft) Resolution 306 of the Political Bureau on state enterprises based on a spirit of solving the problems encountered, giving much encouragement to the producers and production installations, and enabling the producers, regardless of which economic element they belong to, to produce with peace of mind, and implement the state's management regulations. Steps must be taken to ensure

that producers earn a higher income than traders. The situation in which people are rushing into commercial sectors must be gradually limited. The distribution and circulation sectors must buy goods at the production sites at reasonable prices and distribute the goods to the consumers.

#### Step Up Exports, a Priority Front

Objectively, it must be admitted that no other place in the country has as favorable conditions for accelerating exports (which includes tourism, services, and overseas remittances) as Ho Chi Minh City. The city must become a concentrated production zone that produces export goods in the greatest quantities and with the highest value.

For a long time, because of a failure to decentralize management and direct export-import rights properly, the trading of export goods has pushed up prices, which has been a disaster for the economy as a whole and for the city.

In order to mobilize production capabilities to support exports, the city must implement the following priority policy: Production installations that can produce export goods (including stated operated and other economic elements) must be given priority concerning capital and cash, the construction of the material and technical base, materials, raw materials, and energy. Outside the city, the expansion of the area used to grow peanuts, raise shrimp, and grow pineapples must be encouraged. The coordination of activities with the provinces in the zone must be based on giving priority to supporting production in order to have additional commodities. Things must be done fairly, with all the parties involved making a profit.

In 1987, the city is striving to reach an export value of 200 million rubles, dollars, which is a modest figure as compared with the great capabilities. But in reality, to hit this target, there must be very specific measures.

The year 1987 is also the year in which the city has begun expanding the volume of goods processed for the fraternal socialist countries and for countries outside the socialist bloc. The target is to produce more than 100 million shoe tongues and 30-40 million articles of ready-made clothing by 1990 and process and assemble electronic goods for the German Democratic Republic, Hungary, Czechoslovakia, and other countries. Besides this, the city is sending youths to study and work abroad in accord with the cooperative labor agreements reached with various countries. The experiences of Bulgaria show that it has transformed itself from a poor agricultural country into a first-class country in Europe. It has developed greatly in just a few decades by processing goods. It has imported modern equipment in order to process technical products of high quality.

Ho Chi Minh City can do this in cooperation with the Soviet Union and other socialist countries and provide jobs for tens of thousands of laborers.

As for the capitalist countries, if any country wants to order goods on contract, the city is prepared to do the work. The city is actively expanding ship repair services and plans to build a shipbuilding industry in the city.

Naturally, all the difficulties must be seen so that they can be overcome. For a long time now, foreign trade activities have been shifted from one pole to the other. At times, the Ministry of Foreign Trade has had a monopoly. But now, every sector, ministry, and province is exporting and importing goods. Thus, things are dispersed and fragmented. Everyone competes to buy and sell. It is easy to find loopholes and take advantage of things in both exporting and importing goods.

As a result of this dispersed and fragmented style in the export-import of goods, it is difficult for the state to determine and control a uniform rate of exchange. This is a very unwholesome situation, if not a disaster.

On the other hand, it must also be noted that the policies on production installations that produce export goods are not levers to stimulate an expansion in production. The profit relationships still have conflicts. This explains why losses increase as more export goods are produced.

Also, for a long time now, the management cadres have had little knowledge or experience concerning markets. The producers have given little attention to business activities, and they have not done much research in order to expand the various types of goods quickly. Little effort has been made to find ways to expand the markets. The lack of activity and speed has frequently resulted in missed opportunities. The city will strive to overcome these weaknesses in order to take advantage of the opportunities and bring the great capabilities and potential to life.

#### Actively Contribute To Solving the Price-Wage-Currency Problems

After the general price-wage-currency adjustment, the reality was that changes outside the state's control took place.

Prices increased because people engaged in illegal ways of making a living. Speculation, hoarding, and economic disruption were factors. The law of supply and demand had an effect. But allowing the rate to increase like today is not normal. This has given rise to many negative phenomena in economic management. Clearly, the longer it takes to solve the wage-price-currency problem, the more materials, money, goods, and cadres the state will lose.

The city's viewpoint is that investments must be concentrated on expanding production. This is the root for having and managing goods and maintaining the currency. Thus, prices have to be adjusted, particularly the price of materials, and gradually tightened. The wages and incomes of the cadres, workers, and civil servants must be recalculated based on stabilizing and expanding production. Even though this is a very difficult and complex task, this is no reason to turn back to the outmoded state subsidies system.

For many years now, Ho Chi Minh City has been making creative use of the party's viewpoints and striving to eliminate the state subsidies management mechanism and implement economic accounting and socialist business. Valuable lessons have been learned from the production practices at the production installations. Grain cannot be provided to the more than 4 million people of the city at subsidized prices, because the prices cannot be kept at 4.2 dong

per kg of rice and 40-50 dong per kg of pork. With the old way of calculating things, no financial system or budget can guarantee things. Only by resolutely implementing the policy of one price based on value will it be possible to get a realistic picture of the economy. This is not to advocate buying high and selling high in order to run after markets or getting away from the special economic laws of socialism. The more difficult things become, the more the laws of balanced and planned economic expansion must be manifested. From a balance of approximately 40-50 percent, the state will gradually penetrate deeper and expand things. The equilibrium of the state is of strategic importance regarding the country's economy.

In Ho Chi Minh City, which produces more than 30 percent of the value of consumer goods nationwide, if sufficient money is not made available--along with having rational prices--production will stagnate immediately and this will have an effect on other activities.

In short, to basically solve the price-wage-currency problem, the state subsidies management mechanism and this way of thinking must be resolutely opposed, disorderly ways of making a living must be eliminated, and economic accounting and socialist business must be implemented with the aim of improving the economic results and enabling production to expand in order to produce large quantities of commodities for society.

#### Provide Jobs, Housing, and a Good Environment

As for the social policy, beginning in 1987, the city will concentrate on fulfilling the following tasks: creating jobs for laborers, providing housing for people, and improving the city's environment.

The leading concern of the municipal party organization and various-echelon municipal authorities is to provide jobs for the laborers. For more than 10 years, the city has continuously made a great effort to solve the problem. But as compared with the needs of society, the problem hasn't been solved. Crime and corrupt social practices, particularly among youths, cannot be eliminated if we do not involve these people in production activities so that they have a legitimate source of income based on their own labor.

This year, based on creating conditions to expand small industry and handicrafts, the capabilities of the economic elements must be manifested, export processing must be promoted, and production outside the city must be expanded in order to actively create jobs for the laborers in a stable manner.

Along with providing jobs, attention will be given to food and to improving the housing of the workers, civil servants, and laborers. This has become a very pressing task. It makes no sense to look at appearances. The city's attitude is that providing housing is very simple. But in reality, this is a very complex task.

Today, allowing almost 50,000 households to live in ditches and rat holes is unacceptable. There are almost 150 residential points where the housing is quite cramped and where fire presents a great danger. The yearly population growth rate in these areas is quite high.

Clearly, providing housing for 100,000 people every year is very difficult. Beginning in 1987, the city will implement a policy of selling houses to the cadres, workers, and civil servants who have been allocated housing based on the policies and procedures in order to have funds to expand housing. People will be allowed to use their legitimate income to improve their living conditions, make repairs, expanding their housing and build new houses. The state will make an effort based on its capabilities for selling building materials and allocating land along the edges in order build housing and gradually demolish the houses in the slums. And together with the central sectors and the Ministry of Defense, it will reexamine the irrational use of buildings and arable land, which have been used in a very wasteful manner or allowed to deteriorate.

Along with this, there are measures to control environmental pollution in the city. The ditches will be dredged, and steps will be taken to reduce the amount of pollution put into the water and air by the chemical, rubber, and cement production installations and reduce the noise generated by transportation means.

The key programs and targets of Ho Chi Minh City in 1987 are the first step in implementing the plans that will carry us through to 1995, the 20th anniversary of the liberation of the city. These will enable the socioeconomic activities and appearance of the city that bears the name of President Ho to be improved. These are urgent tasks if we are to implement the resolution of the Sixth Party Congress and the resolution of the Fourth Congress of the Municipal Party Organization.

11943

CSO: 4209/406

## NEGATIVE IMPACT OF BUSINESS REFORMS DISCUSSED

Hanoi NHAN DAN in Vietnamese 26 Mar 87 p 3

[Article by Ngoc Son, Dong Nai: "Advantage Is Being Taken of Commercial Business Cooperation"]

[Text] In Bien Hoa City in Dong Nai Province, there are more than 2,000 households engaged in commercial, food and beverage, and service activities that have been accepted into subward or village marketing cooperatives or that engage in cooperative business activities with the service, commercial, and vegetable and fruit corporations. In just a short period of time, the number of households employed to carry on this reform has increased greatly. But looking at the actual operations of private individuals in many marketing cooperatives and cooperative stores, it is clear that many negative phenomena are occurring and expanding. Prices are just of a formal nature. Every day, private individuals buy and sell commodities at prices that suit their convenience. The cooperatives cannot control the business activities of these people, and many bases have signed "blank-check" contracts regarding business income and the amounts that must be paid. As a result, people are using various subtle methods to make a living illegally, conceal the economic realities, and avoid fulfilling their obligations to the state.

In 17 marketing cooperatives with 525 households engaged in business activities, many commodities have not been recorded in the account and consumption books. Goods worth 319,600 dong were not recorded. Four households in the Tan Mai Subward marketing cooperative stole 174,000 dong. In Tan Hoa Subward, six food and beverage stalls contracted to pay a business income of 5,500 dong per day. But their actual income was at least 10,000 dong a day.

Because of the lack of control capabilities, which has allowed private individuals to conceal their actual business activities, the state has suffered huge losses. At the Tan Mai market, during the first 6 months of 1986, the 90 households in the marketing cooperative paid an average of only 7,800 dong per month to the state. In Tan Hoa Subward, before joining the cooperative, in the 2d quarter of 1985, the 60 business households had to pay an average of 7,900 dong per month in taxes. But in March 1986, while prices had increased approximately five-fold and taxes collected outside the market had tripled, these households paid only 6,900 dong.

Clearly, with this reform, the collectives and private individuals are all making a profit. Only the state is suffering losses.

At the cooperative stores, between the service, commercial, and vegetable and fruit corporations and the private individuals, although there are organizations to monitor and control things, they have a very limited effect. The private individuals have managed to conceal most of their actual business activities. Many stores have signed "blank-check" contracts on business incomes and amounts that must be paid and let them operate as they see fit. At the Bien Hoa, Tan Van, and Long Binh cooperative stores, between the municipal commercial corporation and 102 private households, during the first 6 months of 1986 the households reported a business income of 3.1 million dong. In reality, their business income was at least 7.3 million dong during the 2d quarter alone. Forty households in another cooperative store subordinate to this corporation engaged in negative activities, too. The sale of 105,000 dong worth of commodities was not recorded in the account books. It is estimated that in Bien Hoa City, the amount of taxes paid each month has dropped 3-4 million dong as a result of private households joining cooperatives or cooperative stores. This is equal to 70-80 percent of the total amount of taxes paid into the existing individual business sector. Many households have expressed great satisfaction and enthusiasm. They have freed themselves from the control of the agencies responsible and can now "make a living" easily and earn larger profits than before.

With respect to this so-called reform, we feel that regardless of the form, the state must control and administer the business activities of private individuals. It must gradually guide them along the path of making a living properly. If this requirement is fulfilled, even if tax collections drop, there won't be anything perplexing. Accepting private individuals hastily and haphazardly at a time when the forces and management standards have not been strengthened or solidified will just lead to laxity and enable these individuals to make a living illegally. Clearly, tax losses are just one minor point among all the negative results that must be given attention.

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CSO: 4209/406

## BRIEFS

**SEMINAR DISCUSSES ECONOMIC PROGRAMS**—Hanoi, 8 May (VNA)—A scientific seminar was held here on 6-7 May to discuss on the targets, contents, and major policies and measures for carrying out the three major economic programmes on food, consumer goods for home consumption and goods for export. The seminar was jointly sponsored by the State Commission for Science and Technology, the Vietnam Institute of Sciences and the Vietnam Union of Scientific and Technical Associations. The participants heard three drafts on the programmes and 20 relevant interventions. [Text] [Hanoi VNA in English 0739 GMT 8 May 87] /9604

**THUAN HAI NEZ**—To make effective use of land and labor within each district and throughout the province, Thuan Hai plans to invest 32 million dong in the construction of material-technical bases supporting production and the everyday life of the people in the new economic zones. The majority of this capital is to be invested in water conservancy projects, road construction and the clearing of land for the construction of fields. The improvement of 920 hectares of land in Ninh Son, Duc Linh, Bac Binh, Ninh Hai and Ham Thuan Bac to be put under the cultivation of such exported industrial crops as coffee, pepper, tobacco, sugarcane and so forth has been investigated and planned. The province plans to send 3,000 laborers to the new economic zones in 1987. The new economic sites constructed in recent years, such as Ninh Phuoc, Tuy Phong, Song Than and Phan Rang, are producing grain, have established specialized industrial crop growing areas and have products to sell to the state. Last year, Thuan Hai sent more than 15,000 persons, including more than 7,000 laborers, to the new economic zones. With the investments being made in 1987, work space will be provided for more than 3,000 additional laborers. [Text] [Hanoi NHAN DAN in Vietnamese 21 Feb 87 p 1,4] 7809

CSO: 4209/375

## HANOI COURT JAILS 3 FOR SHOWING 'DECADENT' MOVIES

BK071025 Hanoi Domestic Service in Vietnamese 1100 GMT 5 May 87

[Text] The Hanoi People's Court on 4 May 1987 held a hearing of the first instance to publicly try (Doan Thanh Duc), (Pham Ba Ngoc), (Khuat Nhat Binh), and their accomplices on criminal charges of disseminating decadent culture and doing illegal business.

Taking advantage of his assigned duty, (Doan Thanh Duc), former head of the Journalists Association's Club, joined with one of his personnel named (Khuat Nhat Binh) in secretly screening films with decadent contents for profit-making. In addition to dozens of film shows with admission fees, (Doan Thanh Duc) and (Khuat Nhat Binh) also colluded with (Pham Ba Ngoc), former deputy head of the Electricity Generating Corporation No 1, in storing, reproducing, and screening many entertainment films.

The films screened by (Doan Thanh Duc) and his accomplices for profit-making or for entertaining their guests are of extremely decadent nature that provokes sexuality and sensualism and lowers human dignity, adversely affecting youths, and constituting an infringement of national security and public order and security.

Based on the seriousness of their criminal acts, the court sentenced (Doan Thanh Duc) to 3 years imprisonment, (Pham Ba Ngoc) to 2 years suspended jail term with a probation period of 3 years, and (Khuat Nhat Binh) to 6 months suspended jail term with a probation period of 1 year.

Those involved in this criminal case were people who had helped (Duc) screen decadent films. After issuing warnings, various legal organs have notified the offices where the culprits worked for taking necessary preventive measures.

This criminal case came as a warning knell, sternly reminding organs, factories, enterprises, and private individuals having video tapes and video recorders to comply with stipulations of various state organs in this field. Responsible organs must increase their control more satisfactorily with effective measures aimed at promptly curbing and strictly dealing with the acts of passing on and storing those cultural items detrimental to public security and social order and discipline.

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